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ABSTRACT

This document presents public testimony and prepared statements from the Congressional hearing on inequities toward women in the social security system. Introductory statements by Representatives Oakar, Daub, Ferraro, McCain, Ratchford, Vandergriff, Snowe, Roybal, and Biaggi are given. Public testimony is provided from representatives of the American Association of University Women, the Global Ministries Board, Representative Schroeder, and Senators Glenn and Dole. Topics addressed include economic discrimination against women including the divorced, the disabled, and homemakers; and legislative needs. Testimony from representatives of the Women's Equity Action League, the Older Women's League, the National Federation of Business and Professional Women's Clubs; and from Senator Cranston is presented. Topics addressed include women in the work force, sex discrimination and social security, the financial status of women, and possible solutions to the inequities. Testimony from representatives of the National Organization for Women, the National Women's Political Caucus, and from Representative Kaptur is given highlighting social security structural problems and case studies from the Harvard Women's Law Journal. Testimony from representatives from the Technical Committee on Social Security Reform for Women, the Department of Health and Human Services, the Social Security Administration, the Association of Junior League's Committee on Aging, and the Eagle Forum is presented covering research and funding needs, the Administration's viewpoint, survivors, disability insurance, trends affecting women, and earnings sharing. The appendices contain statements by the National Farmers Union, the Hoover Institution, and the Eagle Forum. (BL)

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ED245159

INEQUITIES TOWARD WOMEN IN THE SOCIAL SECURITY SYSTEM

HEARING

BEFORE THE

TASK FORCE ON SOCIAL SECURITY
AND WOMEN

OF THE

SUBCOMMITTEE ON
RETIREMENT INCOME AND EMPLOYMENT

AND THE

SELECT COMMITTEE ON AGING
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

SEPTEMBER 22, 1983

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INEQUITIES TOWARD WOMEN IN THE SOCIAL SECURITY SYSTEM

THURSDAY, SEPTEMBER 22, 1983

House of Representatives, Task Force on Social Security and Women, of the Subcommittee on Retirement Income and Employment, and the Select Committee on Aging,

Washington, D.C.

The task force met, pursuant to notice, at 10 a.m., in room 311, Cannon House Office Building, Hon. Mary Rose Oakar (chairwoman of the task force) presiding.

Members present: Representatives Oakar of Ohio, Ferraro of New York, Ratchford of Connecticut, Vandergriff of Texas, Daub of Nebraska, McCain of Arizona, and Gekas of Pennsylvania.

Staff present: Catherine Straggas, professional staff, Task Force on Social Security and Women; Allen Johnston, staff director, Nancy E. Hobbs, minority staff director, Subcommittee on Retirement Income and Employment; and John Vihstadt, minority counsel, Select Committee on Aging.

OPENING STATEMENT OF CHAIRWOMAN MARY ROSE OAKAR

Ms. Oakar. The Task Force on Social Security and Women will come to order. I would like to thank Chairman Roybal, who will be here in a few minutes, for his support of the Task Force on Social Security and Women of the Aging Committee and, as chair of the task force, I would like to welcome you all to this hearing on the inequities which today affect over 10 million women who receive monthly checks from the largest retirement insurance program in the world, social security.

As you know, the Social Security Amendments of 1983 mandate that the Department of Health and Human Services review the bills that I introduced, H.R. 2742 and Senator Cranston's bill S. 3, and then in July 1984, proposed legislation on earning sharings.

This inequity of the social security system toward women is the essence of the gender gap in economic justice. Women who have been historically discriminated against in wages come full cycle during retirement. Their retirement benefits reflect both their low wages as workers where they earn 59 cents for every dollar earned by men and the inherent inequities in the social security system.

Make no mistake about it, at least 90 out of 100 women who are covered by the social security system can expect to experience some form of discrimination during retirement. Working spouses can usually expect to receive a benefit that is less than if they had never worked or paid into the system at all. Homemakers, who go in and out of the labor force to have and raise children or care for a sick parent are not yet eligible for disability, if they have been out of the work force for more than 5 years. Divorced women who were married for less than 10 years receive no benefits. Widows cannot receive benefits before the age of 60 unless they are disabled or have children under 17. Widows who choose to accept benefits at age 60 receive greatly reduced benefits for their entire lives, among other inequities.

Social security has commanded much public and congressional attention in the past 2 years. In 1981 the Congress fought to restore the monthly minimum benefit that the administration proposed eliminating. Earlier this year there was a bipartisan effort to insure the financial solvency of the system. Unfortunately, the legislation did not fully address the inequities and inadequacies of the system toward women recipients, and therefore, did not deal with the problem in the social security system comprehensively.

The architects of social security designed a program that would provide basic financial support for the aged and disabled. The system was based on assumptions about the role of women's work patterns in the late 1930's. Today the demographics of our country are vastly different. Fifty-three percent of all adult women, compared to 15 percent in 1936, work now outside the home. More women than ever before are combining careers as workers and homemakers—47 percent of all married women work outside the home. Half of all marriages end in divorce. Fifty-five percent of all children under 18 have working mothers. Ninety percent of all single parents are women. Most homemakers have spent many years in the labor force before marriage.

But, social security, based on notions 50 years old, assumes that most women have never been in the labor force. It is almost unfathomable to realize that if no action is taken to correct the problems, 45 million in the year 2030 will be victims of this cycle of inequity.

Today we will not only look at the problems in the current system, but at ways to solve them. We must bridge this gender gap with legislation, not simply with explanations. A woman should not have to go to the Supreme Court for economic justice related to pensions. The administration and Congress should correct these inequities now. In 1977 Congress first directed the Secretary of Health, Education and Welfare to study ways to update social security and to eliminate sex discrimination under the social security program. The law was clear and the report of HEW stated, unequivocably, that the social security system discriminates against women, yet no action since even then, has been taken.

I have introduced legislation to remedy this problem. I am proud to say that our bill, H.R. 2742, has more than 40 cosponsors of my colleagues. This legislation views marriage as an economic partnership, it recognizes the economic importance of women who work outside and inside the home. It places all women—single, married, divorced, homemakers and workers in the paid labor force—on equal footing. The legislation assures that women will be treated equitably and fairly during retirement.

As I stated earlier, the Department of Health and Human Services is currently working on the study which will incorporate, hopefully, my earnings sharings bill and others and will finally address the inequities which concern all of us.

I am proud to chair this hearing today as the first step in taking serious action on an integral part of the legislative agenda to give women the inalienable right to economic justice. This issue affects the majority of our population. It should be a priority with the President and this Congress.

I look forward to working in a bipartisan spirit with my colleague, Mr. Daub, and others to get results. Now is the time for action. The report from the Department of Health and Human Services will be completed in July 1984, right before the Presidential elections. This is an item that must be on the national political agenda.

I am very, very happy to have as members of our task force a number of distinguished colleagues and I would first like to hear from my distinguished minority leader of this task force, Congressman Daub.

STATEMENT OF REPRESENTATIVE HAL DAUB

Mr. DAUB. I want to say first to Ms. Oakar that I want to commend you for having this important hearing. I have had the opportunity to read six sets of hearing documents of this task force, including the two field hearings in Cleveland. I am most impressed with the originating contributions and I think, as a result of that, I am optimistic that this set of hearings in this Congress is going to be productive as well.

I want to extend my thanks to Ms. Oakar and to her staff for their cooperation in planning this hearing. I am pleased that every effort has been made to insure that all points of view are going to be heard today. We are fortunate that the witnesses today represent many organizations with different views and concerns about social security benefits relative to women. Their opinions expressed will range from one end of the spectrum to the other. I believe that all of these opinions are essential and will lead to a serious examination of what problems exist and what reforms are needed.

I am disappointed to say that many of the business organizations that were invited to testify are not here today. It is my hope that if the business community who, indeed, has a great stake in maintaining a sound social security program, has ideas about social security as it affects women, they will make these views known to the Congress.

We must acknowledge the fact that men and women are treated differently within the social security system. It is important to closely examine the effect these differences have on women in particular. Some of the concerns about the treatment of women within the social security system were remedied by the Social Security Act Amendments of 1983.

Some of the changes provided in these amendments include an independent entitlement for divorced spouses and increased benefits for disabled widows over the age of 50.

The growing criticism of the social security system is whether the program has significantly changed since its inception in the 1930's, to take in account the changes that have occurred in the family unit. For example, by the year 1990, the family unit, consisting of one working and one nonworking spouse, will account for only 14 percent of the American households.

Many factors have contributed to the changes in the family structure throughout the years. The increased labor force participation rate of women, the desire of some women to move in and out of the labor force and the decline in marriage longevity have a profound impact on the lifestyle and the financial security of women today.

Many of these changes have caused concerns about the adequacy of the social security system to meet the needs of women. Some women, for example, have found that the social security benefits they earn through working can amount to less than what they could claim as dependent wives of widows of workers. Since benefits reflect lifetime earnings of the worker, women, who generally receive less than men, and who often interrupt their working years for childrearing, unfortunately accrue lower benefits. In 1980, only one-third of the women covered by social security elected to receive their own benefits rather than the benefits of their husband.

A related concern is the need to recognize the homemaker's remunerative value to the family and the working spouse. I have introduced legislation which addresses the retirement income of nonworking spouses in the form of an expanded spousal IRA. This would allow women who have chosen not to work outside the home to contribute the maximum amount to an individual retirement account. Social security benefits need to concur with the change in women's roles and recognize the value and the worth of that nonworking spouse.

Our concern, as members of the Select Committee on Aging, is with the growing elderly population. Last summer I sponsored a field hearing in Omaha at which time we specifically addressed the concerns of aging women. Adequate social security coverage was mentioned from a number of those witnesses as their growing concern.

By the year 2000 the number of women over the age of 65 will total 19 million, which is 1 out of every 14 persons. This astounding number demands that our attention be directed toward the financial security of this group. We find that for single women over the age of 65 with an income less than $5,000, social security benefits account for 80 percent of that income level.

I know in my own State of Nebraska, of persons over 65 years of age who are below the poverty line, 90 percent of them are women. We cannot neglect the fact that these circumstances point to how important it is for the social security system to treat women fairly.

A number of reforms, both with limited and long-term effects, have been introduced. I look forward today to hearing a number of our witnesses discuss earnings sharing proposals. I believe these proposals are quite worthy of further study, and I look forward to the Department of Health and Human Services report on earnings sharing which is scheduled to be done by July 1, 1984. The basic problem is the need to secure a bill for the women of this country.

I hope we will be able to adequately address this problem in subsequent hearings.

As we examine possible reforms in the social security system we must insure that persons in every type of family situation, whether single or married, widowed or divorced, working or not working, are treated fairly.

It is my hope that we can develop reforms that will prove to be both effective and economically feasible. I look forward to the ideas that a very expert set of witnesses in our panels today, will have to contribute.

I thank the chairman very much.

Ms. **Oakar**. Thank you very much, Congressman Daub.

Congresswoman Ferraro?

STATEMENT OF REPRESENTATIVE GERALDINE A. FERRARO

Ms. **Ferraro**. Madam Chair, I just want to commend you on holding these hearings. This is obviously a very important subject to all of us. I think throughout this country this is a situation of great concern to women, especially elderly women.

I'm very impressed with the caliber of the witnesses we have today.

I know this legislation has been sponsored by several of the members who are sitting here today. In the interest of time, I would like to submit my full statement for the record.

[The prepared statement of Representative Ferraro follows:]

Prepared Statement of Representative Geraldine A. Ferraro

Madam Chair, I want to commend you on holding these hearings on women and social secruity. The inequitable treatment of women under our social secruity system is of great concern to women, particularly elderly women who face years of retirement in economic in secruity.

Because 60 percent of elderly social security beneficiaries are women, we must look closely at how the system treats women to ensure fair and adequate treatment of its majority constituency.

The current social security system is clearly not protecting older women from poverty. There are over twice as many poor women as poor men over age 65. the poverty of older women is the outcome of a lifetime of economic inequity to women that begins with unequal educations opportunity, continues in a low-paid "female" job and unpaid family responsibilities, and culminates with inadequate retirement benefits.

Most older women rely on social security as their primary or sole source of income. This is because only ten percent of older women receive private pensions dur to inequities in private pension plans. I am pleased to be the sponsor of legislation contained in the Economic Equity Act which seeks to reform the private pension system to recognize the contributions women make to our economy and reflect women's unique life and work patterns.

Despite the fact that women rely most heavily on social security to support themselves in their later years, they receive the lowest benefits. The average monthly social security benefit for adult women in 1982 was only $308 compared to $430 for adult men. Retired female workers averaged only $335 in benefits as compared to $438 for retired male workers. This reflacts the wage gap between men and women during their work years and the likehood that a woman's work outside the home was interrupted by family responsibilities, averaging zeros into her earing record for every year over 5 that she was out of the paid workforce. And because women must choose between their own benefits or those earned as a spouse, retired women who had worked are usually no better off financially than if they had never worked for pay.

The proposals we will be discussing today—and which you, Madam Chair, have taken the leadership introducing as legislation—seek to correct the inequities in the system which leaves women in social insecurity in their later years. They recognize the equal contributions that women and men make to their household's—and our society's—economy. I am pleased that the concept of marriage as an economic partnership has been subscribed to by a bipartisan coalition of men and women. I eagerly await the day when we will put our money where our mouths are.

Ms. OAKAR. Thank you, Congresswoman Ferraro, and I want to commend you for all of the work you have been doing with the Women's Economic Equity Act as well.

Representative McCain?

Mr. McCAIN. In the interest of time, Madam Chairman, I would like to submit my statement for the record also. I share the sentiments of my colleagues and their appreciation for your having these hearings.

[The prepared statement of Representative McCain follows:]

STATEMENT OF REPRESENTATIVE JOHN McCAIN

I commend Madam Chairwoman Oakar for presiding over the meeting today which will address the coverage of women under the presently designed social security system. Additionally, I would like to thank our expert panel of witnesses. I am sure they will provide excellent information and possible remedies to the current inequities under the system.

Although social security is sex neutral, many people perceive problems with the way women are treated under the program. When social security was designed and adopted in the 1930's, it was intended to recognize and be compatible with the social environment. This environment has changed dramatically since that era. Increased labor force participation rates of women, increased divorce rates, and continuing high poverty rates among elderly women, characterize the current era. As a result, social security is not meeting the income needs of women in today's world.

Many factors have contributed to the increasing labor force participation of women over the last three decades. One of the most prevalent motivations for women in recent years has been economic necessity; high inflation has made it increasingly difficult to make ends meet on one income. The labor force participation rate of married women has risen from 17 percent in 1940 to 47 percent in 1977. Marriage longevity has also changed. Some 1.18 million divorces were granted in 1979, nearly three times the number of divorces granted in 1959.

When designing the social security program, legislators tried to strike a balance between individual equity and social adequacy. The balance no longer exists because or our changing social environment.

Social security payments are not adequate for women who do not follow the traditional pattern of life long marriage and homemaking. A divorced spouse can receive a maximum of 50 percent of his/her spouse's benefits, if the marriage has lasted 10 or more years. A woman married for 9 years and who has not been in the workforce because of child rearing is suddenly divorced, and has neither acquired social security credits nor is she eligible for her former spouses benefits.

A grave inadequacy is seen in the situation where a widow(er) between the age of 60 and 65 will receive an actuarial reduced benefit throughout the remainder of that person's lifetime. The social security check is often a widows only source of income. This reduced benefit is hardly enough to live on. Additionally, a widow who is under age 60 cannot receive benefits as a surviving spouse unless she has a child under age 16, or is at least 50 years old and disabled.

Inequities result because the social security system rewards one and two earner couples differently. The dual entitlement provision states that the benefit a person receives as a dependent cannot be added to the benefit he or she would receive as a worker. Consequently, in a case where a two earner couple, in which the secondary earner, who is generally the wife, has an earnings record such that his/her benefit as a retired worker would be the same or less than his/her benefit as a dependent, would receive the same total benefits as a one-earner couple.

The need for a change is irrefutable. The question now becomes, what type of changes should be made to rectify the situation?

One possible solution was introduced in the 1976 legislative session: The concept of earnings sharing. This concept recognizes marriage as an economic partnership. It accords the right of each individual to a retirement based on half of the total retirement credits earned by a couple during their marriage. This proposal is to be studied by the Department of Health and Human Services and reported on by July 1, 1984. Careful consideration must be emphasized. Many technical and administrative questions need to be worked out and special consideration must be given to continued strong protection for the family against death or disablement of a primary wage earner.

Further, the 1983 social security amendments signed by the President ameliorated several previously identified inadequacies and inequities regarding the treatment of women. It is obvious that steps are being taken in the right direction.

I am anxius to hear today's testimony and am particularly pleased that Mr. Robert Meyers is present today. As former Executive Director of the National Commission on Social Security Reform, he will provide us with valuable insight regarding the treatment of women under social security.

Ms. OAKAR. Thank you.

Representative Ratchford?

STATEMENT OF REPRESENTATIVE WILLIAM R. RATCHFORD

Mr. RATCHFORD. Madam Chairman, I would like to put my full statement in the record, but first I would like to commend you for convening the hearings. I am especially intrigued by your approach to the modified earning sharing and look forward to the development of that.

Let me simply state from the statement though that a woman who works in the home is as entitled to economic security in her latter years as the woman who pursues a career outside the home. Homemakers clearly contribute just as much to society. We all recognize that the social security system has historically discriminated against women in a number of ways. I don't think this has been a matter of deliberate policy; the system simply is outmoded. But if we, as Members of Congress, fail now to adapt that system to present day realities, our neglect will be tantamount to deliberate discrimination. We must not tolerate that.

[The prepared statement of Representative Ratchford follows:]

PREPARED STATEMENT OF WILLIAM R. RATCHFORD

Representative Oakar, I don't want to take up any time because I know we have a great many panelists to hear, but I want to congratulate you on holding this hearing today. Issues of equity and adequacy in the social security system have come of age since the enactment of the social security reform package this spring. Since its inception in 1979, the task force has fleshed out the discriminatory impact of the system on women. Congress has taken a number of preliminary steps toward righting a few of the wrongs, but we are now ready to evaluate systemic solutions. I am especially intrigued by the modified earnings sharing approach put forward by the chairwoman and Senator Cranston. A woman who works in the home is as entitled to economic security in her later years as the woman who pursues a career outside the home. Homemakers clearly contribute just as much to society. We all recognize that the social security system has historically discriminated against women in a number of ways. I don't think that this has been a matter of deliberate policy—the social security system is simply outmoded. But if we as members of congress fail now to adapt the system to present-day realities, our neglect will be tantamount to deliberate discrimination.

Madame Chairwoman, it is an honor for me to have the opportunity to participate in this hearing, and to contribute to the efforts of the task force. Thank you.

Ms. OAKAR. Thank you very much, Bill.

Representative Vandergriff?

STATEMENT OF REPRESENTATIVE TOM VANDERGRIFF

Mr. VANDERGRIFF. Thank you, Chairwoman Oakar. As a new member of the task force, I am delighted to be here today for what will be the first of many hearings in which we will focus on this question of how the social security system affects the women of our

Nation. I am, without doubt, one of the oldest freshmen in Congress so perhaps it is only appropriate that I would serve on the Select Committee on Aging. Then, too, since the first bill that I had the pleasure of cosponsoring upon arriving here in Washington was the equal rights amendment, I suppose it is also appropriate that I also join this task force. I am happy to have that privilege.

In both assignments I will have the opportunity to learn more about and, hopefully, contribute to two areas of particular interest to me personally as well as to Texas and the Nation.

We often speak of America as the land of opportunity, but for many women in this country, the opportunities afforded them are, in fact, limited by the laws of our land. We must be ever mindful that as society changes and evolves, so must our laws change and evolve. I am reminded of Thomas Jefferson's words that "Laws and institutions go hand-in-hand with the progress of the human mind and that institutions must advance also to keep pace with the times." I believe this very aptly describes the problems we face relative to the social security system and its effect on women.

I am not going to take further time today to detail the specific problems that the system poses for women. That has already been done so eloquently by our chairwoman. I do wish to stress, however, that I am greatly disturbed by the inequities women continually face in terms of economic rewards in our society and this can be no more clearly demonstrated than by the inequities existing for women in the social security system.

So, Chairwoman Oakar, I am pleased and proud to be a part of your task force and I look forward to making progress under your leadership in this most important endeavor.

Ms. OAKAR. Thank you very much. Representative Ferraro reminded me that age is not a criteria on this committee. Senator Pepper is the youngest Member of Congress that I can think of and we are happy to have you on it.

Representative Daub, do you have some statements to offer?

Mr. DAUB. I would like to include in the record the statement of our friend, the distinguished lady from Maine, Olympia Snowe. She has asked me to compliment you for holding this hearings today.

Ms. Oakar. Without objection.

[The prepared statement of Representative Snowe follows:]

PREPARED STATEMENT OF REPRESENTATIVE OLYMPIA J. SNOWE

I want to take a moment to thank the Chair of the Task Force on Women and Social Security, Mary Rose Oaker, and the ranking Republican, Hal Daub, for their efforts in reestablishing this very important panel on one of the major issues of the decade. It is my pleasure to again sit on the task force, and to have the opportunity to hear the testimony of the witnesses here today.

Last January, as both old and new Members prepared to come to Washington, there was no doubt that the predominant issue on everyone's mind was Social Security. For nearly half a century, social security has represented our nation's strong commitment to the elderly and their dependents. Accordingly, it was with great speed that the House and Senate acted to save the beleaguered program. Although some of us here were at variance with the remedies chosen, our commitment to an expeditious and equitable resolution was no less firm.

And today, 6 months later, we watch with guarded optimism as the economy grows stronger and the trust funds are replenished, united in the hope that the sacrifices made today by American workers and social security beneficiaries will safeguard this vital American institution for generations to come.

However, one of the most important issues that remains virtually untouched is the fact that women are not adequately served by the present social security system. Women and children comprise almost ⅔ of all social security recipients, and needless to say, have an enormous stake in the program's future. The time is long overdue for Congress to turn its attention to the policies and structures of the social security system which contribute significantly to the economic insecurity that older women face.

Women receive benefits under social security as workers, spouses, and survivors. That these benefits are for the most part grossly inadequate results from a combination of factors, some of which are outside the reach of the legislative proposals that will be discussed today.

In general, women suffer under social security, as they suffer in many other parts of their life, from the assumption that, as women, they are financially dependent on a man who works to support them and their children. This pervasive, but erroneous presumption is reflected in the nature of the work women do and the compensation they receive for that work, as well as the policies of the social security system that averages zeroes into earnings records for time spent out of the paid work force in homemaking responsibilities, and provisions that treat divorced women and elderly widows inadequately. The lack of private pension benefits to the overwhelming majority of older women, further compounds an already precarious situation.

The result of this is that the average monthly benefit for a retired female worker was $335 in 1982, compared to $450 a month for a male retiree. For too many women, this represents their total monthly income and their condemnation to living out their retirement years in poverty. This translation of the current issues into human terms vividly substantiates the urgent need for a major restructuring of the social security program.

The most attractive long-term proposal, and one that will be given serious consideration at this hearing, is the earnings sharing concept. Pure earnings sharing would divide the amount of social security benefits earned by both spouses during their marriage. A modified earnings sharing plan, as proposed in the 1979 report of the Advisory Council on social security would instill greater equity into the benefits structure, while providing for a carefully worked out transition period to protect those women who would receive less under earnings sharing.

It is clear that more work remains to be done in the development of a sound proposal that is equitable to all social security recipients. Our goal, however, is clear: to give each partner in a marriage, whether he or she works, inside or outside the home, an independent wage record providing retirement, disability, and survivor's benefits.

A thorough and objective reexamination of the goals of adequacy and equity as they relate to women in the social security system is urgently needed, and these hearings will contribute greatly toward this effort. However, only through fundamental change will we insure a social security program that reflects the realities of the work lives of American women for both paid and unpaid labor. I thank each of the witnesses for being here today.

Ms. OAKAR. At this time I would like to submit the prepared statements of Chairman Roybal and Congressman Biaggi for the record. Hearing no objections, so ordered.

[The prepared statements of Chairman Roybal and Representative Biaggi follow:]

PREPARED STATEMENT OF CHAIRMAN EDWARD ROYBAL

I am pleased to participate in this hearing of the Task Force on Social Security and Women. I too am concerned about the inequities faced by women, and was the first to co-sponsor the eight bills introduced by Congresswoman Oakar to provide more equitable treatment of women under social security.

As Chairman of the House Select Committee on Aging, I was happy to reappoint Congresswoman Oakar as the Chair to the Task Force on Social Security and Women. Ms. Oakar has proven herself to be a leader and advocate for women's rights, especially in social security. I can think of no one whom I trust more to spearhead the Committee's efforts in this area than the gentlelady from Ohio.

Since the turn of the century, the demographic trend has been toward an increase in the older population, especially among women. Only fifty years ago there were approximately equal numbers of men and women in the over 65 age group. By 1980, however, the proportion of women had grown to almost 60 percent of the total population over age 65 and 75 percent of the population over age 75. Although the recent

Social Security Amendments did include some limited provisions to improve coverage and benefit protection for selected groups of women, there are many structural questions of equity in the system which we need to address.

We have several distinguished witnesses at this hearing. It is always an honor to hear Bob Myers, now a private citizen, whose Social Security credentials are unsurpassed by any living American. It is a particular honor to welcome the distinguished Senator from my home state, Senator Cranston, who is the author of the Amendment requiring the Social Security Administration to develop a workable plan, and Senator Glenn from Ohio, the Senior Democratic Member of the Senate Aging Committee.

Other witnesses include Edith Fierst, who heads a technical workgroup on Social Security and Women which probably has the most extensive and up-to-date information on earnings sharing which currently exists. I believe the Committee will continue to support the Workgroup's efforts in the future at least as well as we have in the past.

I also congratulate the Older Women's League, which was founded in my home state, on their recent formation of a Citizen's Council on Earnings Sharing. The membership of the Council is broad and impressive.

Now there is a renewed opportunity to push for needed reform. Section 344 of the recently passed Social Security Amendments require the Secretary to develop "proposals for earnings sharing legislation" with "specific recommendations . . . for implementation of such proposals". I expect the Admininstration to be comprehensive in their approach and not to be confined to simple analysis of pending legislation or redevelopment of the 1979 HHS report. I hope the Department representative will tell us that progress is being made toward a concrete legislative proposal. I am willing to cooperate with the Department because it is important to move this effort from research to reality. If, despite the Secretary's best efforts, a competent product requires some delay in the report date, then I would support such a delay.

Congresswoman Oakar, thank you again for your persistence. I am sure that our mutual objectives of equitable treatment under the law for all Americans will prevail and I compliment you for your leadership role not only on the Committee, but in the entire Congress.

PREPARED STATEMENT OF REPRESENTATIVE MARIO BIAGGI

Mr. BIAGGI. I am pleased to join at this inaugural meeting of the Select Committee on Aging's Task Force on Social Security and Women. I look forward to working together with Chairwoman Oakar on advancing key issues related to bring equity to women under our Nation's largest economic security system.

The problems that women face in negotiating the social security system are as complex as they are numerous. The fact of the matter is that we must take a serious look at this problem now for the problems themselves threaten to grow worse by the next century.

Older women have special problems as they represent a growing majority of the poor in this land of economic opportunity. Social security, for this group of women, does not provide economic opportunity. In fact—it remains that the historical "wage gap" faced by women in the workforce translates into smaller benefits upon retirement—the "pension gap."

In addition to the so-called pension gap, older women rely heavily upon social security to support themselves and their dependents during retirement. A startling 16 percent of the 20.5 million women over 65 have social security as their only source of income. Nearly one-third of these women have annual incomes below the poverty level; most of them are widowed or single.

In sum, we need to address a major reemphasis of women—not primarily as dependents but as wage earners. In this fashion—social security benefits will not become a source of poverty for older women, but instead, will become a right and a privilege to an adequate and appropriate income in their retirement years. A system which perpetuates poverty has no place in a county which prides itself upon equal justice for all.

The most important justice we can guarantee for women under social security—is economic justice. In this sense, it is my hope that we can work together on this task force, in a bipartisan fashion, to address the current inequities and inadequacies in the system and eliminate them once and for all.

Ms. OAKAR. We have some additional statements to submit for the record and I think that I would like to do that right now: the statements of the Association of University Women and the Global

Ministries Board—which includes a number of Protestant ministries—will appear at this point in the hearing record.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., September 21, 1983.

Hon. MARY ROSE OAKAR,
Chair, Task Force on Social Security and Women,
U.S. House of Representatives, Washington, D.C.

DEAR MS. OAKAR: The American Association of University Women, an organization of 194,000 college educated women, regards the equitable distribution of Social Security as an issue of great legislative and social significance. We appreciate the effort that you as a concerned member of Congress and as Chair of the Task Force on Social Security and Women, have undertaken in reviewing the situation of women under current Social Security law, and in formulating guidelines for future law that would alleviate some of the disparities in treatment that negatively affect women under the present system.

A key element in this effort to eliminate the discriminatory effect of aspects of the Social Security law is mandatory earnings sharing. Your Task Force's focus on earnings sharing has aided the review of the merits of earnings sharing and paved the way for Congress to make an informed decision on this important principle. As the Task Force continues its assessment of the treatment of women under Social Security and formulates legislation to remedy the inequities, AAUW urges you to work closely with the Department of Health and Human Services to ensure that its earnings sharing report, as mandated by Congress, provides the necessary information and addresses the questions raised by the Task Force and Congress.

The American Association of University Women is studying the various proposals for earnings sharing. We will withhold final determination on this topic until we have had a chance to examine results of forthcoming studies from both the public and private sectors. In general, however, we see mandatory earnings sharing as an important principle that must be incorporated, whether directly or indirectly, in future Social Security policy.

As a long-range solution, earnings sharing has much to offer the women of future generations. The complete phase-in time is twenty to forty years, however, and intermittent steps must be taken to lessen the hardships experienced by the seventeen million women presently receiving Social Security and by women still in the workforce who will retire before earnings sharing is in place. In light of this, AAUW urges the Task Force to take steps to enact interim measures designed to assist those now in or nearing retirement.

The cost of programs such as mandatory earnings sharing and other initiatives to eliminate the inequities in Social Security will be a source of lively debate in Congress. The American Association of University Women acknowledges this concern; however, we also believe that the future health of the Social Security System depends as much on the equitable treatment of men and women under the Social Security law as on financing.

Sincerely,

MARY H. PURCELL, *President.*

PREPARED STATEMENT OF THE GLOBAL MINISTRIES BOARD, WASHINGTON, D.C.

This testimony is submitted on behalf of the following denominations: Office for Church in Society, United Church of Christ; Washington Office of the Episcopal Church Department of Social and Economic Justice, The General Board of Church and Society, United Methodist Church; Washington Office, Presbyterian Church, USA; National Assembly of Religious Women; American Baptist Churches, USA; Washington Office, Unitarian Universalist Association; and Office of Public Policy, Women's Division, United Methodist Church

A major concern of several members of the recent National Commission on Social Security Reform was the inability of the Commission to deal with the inequities for women existent in the Social Security System. It is also a major concern of the religious community. In a recent informational publication (PREPARE) sent to a large interreligious network (IMPACT) these paragraphs appeared under the heading "A Heritage of Care":

The Judeo-Christian prophetic tradition includes the belief that God stands with the oppressed against a dehumanizing and destructive social order. This emphasis on the protection of the needy was illustrated by the events of Exodus and Sinai. In the Exodus experience God acted to free the oppressed. At Sinai this understanding was enriched with the revelation that God's newly freed people were commanded to care for the downtrodden in obedience to His laws of justice and compassion.

Jesus, building on the Hebrew tradition, inaugurated His ministry with a quotation from Isaiah, "I have come to preach good news to the poor . . . setting at liberty those who are oppressed." (Luke 4:18-18, cf. Isaiah 61:12) Following this teaching the early Christian church established a community in which all things were held in common, with special attention given to widows, the elderly, the disabled.

In our day, the Social Security System represents our society's principal commitment to care for the elderly. Millions of aged and disabled persons depend on Social Security for the necessities of life. It is a small expression of the earlier faith communities' care for the needy through the common ownership of property. Without Social Security, millions of people would be destitute and many families would be pulled down into poverty by the responsibility of caring for aging parents. For many Americans the Social Security System is the main program that stands between them and grinding poverty.

"Because the Social Security System was designed in an era when women were expected to remain at home while men worked outside the home supporting the family, the provisions of the law reflect assumptions about sex roles which are no longer accurate.

More than half of all women are now employed, and society has moved a long way toward accepting the idea that marriage is a partnership. But many laws and programs (such as Social Security) still make women dependent on men. Unwillingness to tackle the difficult task of reforming the System in a new age still results in serious inequities."[1]

We support without equivocation:

Child Care Credit, H.R. 271.—Our concern for children and the family as well as women leads us to the conclusion that women should not be penalized in the size of their benefits because they have remained at home to care for children under 6 years of age.

Inheritance of Earnings Credits by Surviving Spouses or Surviving Divorced Spouses, H.R. 2744 and Credit Splitting at Divorce, H.R. 2739.—Both of these proposed laws would affirm marriage as a partnership and in many cases give women the beginnings of Social Security credits to take into the work force. While on the surface they may seem to be costly in the long run these credits can mean the difference between earned self sufficiency and dependence upon some kind of public assistance.

Transition Benefits, H.R. 2745 and Disabled Widow(er)s Under 60, H.R. 2743.—Both of these bills address the double trauma of the loss of a spouse plus the loss of income. We would prefer to see the Transition Benefit for a six month period at least for spouse not employed outside the home. We could also wish that it might be limited to widow(er)s who and low income. We recognize the difficulties involved in both instances.

We would ask this Task Force and the full Select Committee on Aging to lend their full support to efforts to extend the receipt of benefits after the October 1 cut-off date for disability payments until such time as the recipient has gone through the Administrative Law Judge level of review.

Restoration of the Minimum Social Security Benefit, H.R. 2738 and Elimination of the Government Offset Provision, H.R. 2740.—These bills represent a vital restoration of benefits to women at lower income levels, many of whom depend solely on Social Security or whose pensions are so minimal that to reduce their benefits by even part of the pension was to bring them near to or below poverty level income.

Earnings Sharing, H.R. 2642.—This concept has been around for much too long without implementation. It has been studied to death. Of all the list of bills being considered by this Task Force it is the most important and the most difficult to construct so that it does not adversely affect any group.

As long as women are faced with: lack of pay equity, fewer top echelon jobs in the private and public sector, sex-based tables used to set annuity costs and benefits, loss of benefits due to years out of the work force, and dependency rules which cause them to choose the usually higher survivor's benefits based on their husband's work record thereby losing all they have paid in as workers, this concept is an absolute necessity. We hope that the final bill will include credits for homemakers as well.

We are particularly anxious that the Congressionally mandated earnings sharing Plans being developed by actuaries within the Social Security Administration receive the Closest scrutiny and review by the Congress.

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[1] *PREPARE*, National Impact, 100 Maryland Avenue, N.E., Wahington, D.C.

We would hope the Congress would be in consultation with senior citizen and women's groups in particular when deciding on the final form of Earning Sharing bills.

In a recent Sunday morning radio talk Dr. Edward W. Bauman, a prominent United Methodist clergyman, likened the situation of women in this period to that of the Hebrew nation in Egypt when they were forced to make bricks without straw. These bills encompass reforms which would make the Social Security System one source of the "straw" which would enable women to build a more secure life.

Ms. OAKAR. Thank you very much.

We have a number of Members of Congress who have asked to testify today and, with the indulgence of our other witnesses, when a Member does come in, because of the votes and so on, we are going to have to allow them to take precedence, if you will, under these circumstances. We know Senator Glenn is in the audience and he will be heard from in a minute and we expect Senator Dole and Senator Cranston to come. But our first witness is Representative Patricia Schroeder who is the Co-Chair of our Women's Issues Caucus.

Pat, as usual, we are delighted to have you before our Task Force. You have testified a number of times and we would like to hear from you again.

STATEMENT OF HON. PATRICIA SCHROEDER, REPRESENTATIVE FROM THE STATE OF COLORADO

Ms. SCHROEDER. Well, I want to thank all of you and especially the Chair for moving forward with these hearings. The Chair and I have courageously gone over to the Senate to testify on this issue. I must admit that I have leaned heavily on her expertise because she really has become an expert on this area.

As the cochair of the Congressional Caucus on Women's Issues, we have a motto that we try never to forget, and that is "Every mother is a working mother," and somehow they forget that when you get to social security, because they tend to say, "Wonderful that you did that, but for that you get honor," which is very hard to eat; it's hard to purchase housing with or any other such thing.

So many things, as the Chair so adequately stated, have changed in our society, in our way of life, and it seems that everything has changed except the law.

We on the Judiciary Committee have been holding hearings on the equal rights amendment, as this gentleman [indicating Representative Vandergriff] has been talking about and the social security system came up and how it would have had to have been changed, had we had an equal rights amendment.

We have heard about the Economic Equity Act. Equal rights are really economic rights. And, as we see the feminization of poverty growing more and more rapidly every day and a very significant part of that feminization of poverty being among older women, it is really criminal. There is kind of an underlying notion in this society that I have great trouble dealing with and I admit it's because of my bias of being a woman—but there is kind of a notion that men age, but women rot and they don't really care a whole lot.

You may laugh at that, but I want to tell you this is a very serious notion—it's kind of the throwaway mentality. When you look at our laws, that may be harsh to say, but we really treat women almost as a throwaway, in many instances, because of our laws and how they affect people in their older years.

I must say that the gentlewoman from Ohio and many of you up here who are members of the caucus have worked hard to get funding for the caucus to study this issue, to present documentation, to testify. I think the background and the documentation and the backup has been done and it has been done excellently and I am so delighted to see you now moving forward with an action program because I think everybody feels that the time has come that we confront this head on. It is shameful.

I am always reminded of Hubert Humphrey's statement that "We really should judge a civilization by how it treats people in the dawn of their life and in the sunset of their life," and I think for women in the sunset of their life, we don't get very high marks. So I salute you for starting it and look forward to working with you on this whole issue.

Thank you.

Ms. **Oakar**. Thank you very much, Pat, and we sure share your views.

Our next witness is Senator John Glenn, who is the ranking minority leader of the Aging Committee on the Senate side. Senator, we are very happy to have you. I am glad, of course, being from your State, that you have an impeccable record when it comes to women's issues. I am especially pleased that you are a leader in sponsoring the Senate Resolution 431 that establishes the Senate Fair Employment Relations Board, which is of concern to all of us, particularly women who work on the Hill, and all of the other issues that you have supported, including equal rights.

Senator, thank you very much for taking the time to join us today and we welcome your testimony.

STATEMENT OF HON. JOHN GLENN, U.S. SENATOR FROM THE STATE OF OHIO

Senator **Glenn**. Thank you very much and I do appreciate having this opportunity to express my support for the goals of your task force, my hope for, and more importantly, confidence in seeing them realized. The problems of adequacy and equity under social security are of particular concern to me as the ranking Democratic member of the Senate Special Committee on Aging.

With the enactment of the recent social security legislation behind us, I think it is time to begin constructive debate of the retirement program's future promises. Very clearly, there are some major questions of equity and adequacy regarding a retirement safety net for American women.

Today, 71 percent of our Nation's elderly citizens living in poverty are women. Elderly women tend to depend more on their social security checks than men, while receiving less in benefit payments. This results from a number of factors. A very basic reason is that the present benefit plan dates back to the 1930's and is structured for lifetime families, consisting of what we traditionally know of as a "breadwinner" and "dependents".

Consequently, it only works well for a shrinking number of American women—those whose lifestyles have not changed substantially from the 1930's. The benefit plan does not take into account today's high participation in the labor force by women, and it does not protect against the frequency or impact of divorce.

Moreover, it does not recognize the interchanging roles women play in our society. While women are no longer likely to be lifelong homemakers, neither are they likely to be lifelong wage earners, and the current plan does not provide for the interrupted work patterns of women associated with child care.

In addition, other factors work to darken women's retirement years. Both pay inequity and other forms of job discrimination reduce retirement protection for women. Lower wage jobs mean lower benefit levels. Women are more likely to suffer from age discrimination in employment and, subsequently, tend to retire early with permanently reduced benefits. So as a group, they have less private pension protection, asset income, and earnings than male beneficiaries to supplement their social security checks.

You have introduced legislation to change social security's benefit structure to an earnings sharing plan where social security credits would be equally divided for each year of marriage. This is a proposal I fully support. I believe that earnings sharing is the correct approach to reforming the social security system to reflect the dual roles of many women, both as workers and as homemakers. Earnings sharing would recognize economic contributions whether they are made inside or outside the home, treat one- and two-wage earner couples fairly and equally, and at the same time, improve protection for divorced spouses and homemakers. It would treat marriage as an equal partnership for the purposes of social security protection.

One of the big questions still facing us is the best way to phase in an earnings sharing plan. The social security solvency legislation passed by Congress this year requires the Department of Health and Human Services to investigate ways of implementing a plan with a report due next July. I believe that with the guidance of your task force, the testimony of today's witnesses and the continued, vigilant involvement of women's and other citizen's groups, we will reach consensus on earnings sharing.

Earnings sharing would be a major step forward but it cannot be hailed as a cure-all for the fact that many American women today do not have adequate and fair retirement protection. Both homemakers and working women bear a number of difficulties in planning and providing for retirement income through private pension plans. Men are more likely to have this supplement to their social security checks. This is one reason why I have cosponsored S. 888, the Economic Equity Act, to reform Federal laws governing the formation of pension plans so that they, too, will reflect marriage an equal partnership and better recognize the work patterns of women.

In addition to structural legislative changes in social security and other retirement plans, we must also continue to address the problems of pay inequity and other forms of job discrimination so often experienced by women. We all know that one major step we can take in ending discrimination against women in this country is through ratification of the proposed equal rights amendment to the Constitution.

Thank you very much for this opportunity to state my views and, as ranking Democratic member of the Senate Special Committee on Aging, I certainly look forward to working with you on the issue of providing adequate, equitable protection for women under social security. We will be doing work on the Senate side on this same issue and we look forward to working with you.

Thank you very much.

Ms. **OAKAR.** Well, thank you very much, Senator, for your very strong statement of support for not only this issue, but other issues related to justice for women. Because of your schedule and that of other members', we won't ask you questions. I think your statement said it all. I appreciate your being here very much.

I would like to call on the minority leader, however, at least, for his expression of sentiment.

Mr. **DAUB.** Senator, we appreciate you taking time to be here as well and I have followed your work on the Special Select Committee on Aging in the Senate and you have added a great deal to our beginning effort here to take a good look at women's problems within the social security program. So thank you for your time.

Senator **GLENN.** Thank you. I appreciate the opportunity to appear very much.

Ms. **OAKAR.** Thank you very much, John.

Senator **GLENN.** Thank you.

Ms. **OAKAR.** Our next witness is Senator Bob Dole, who was a member of the President's National Commission on Social Security Reform.

Senator Dole, we would like to have you come up to give your testimony and, Senator, I and other Members are especially grateful that you are having hearings, we understand, on the Women's Economic Equity Act as well. We think that is another priority that we would like to see follow through. So we are very, very grateful for your leadership on this issue and other issues.

Thank you so much for being here.

Senator **DOLE.** Thank you.

Mr. **DAUB.** Let me welcome you as well. To my good friend and Kansas neighbor, we appreciate your taking time to join us this morning and we will look forward to the remarks that you will contribute, having a distaff combination, which as well gives us great hope for the hearings which you are now holding on the Economic Equity Act in the Senate.

STATEMENT OF SENATOR ROBERT DOLE, U.S. SENATOR FROM THE STATE OF KANSAS, ACCOMPANIED BY CAROLYN WEAVER, PROFESSIONAL STAFF MEMBER, SENATE FINANCE COMMITTEE

Senator **DOLE.** Before beginning my testimony, I would like to recognize Carolyn Weaver. She does all of our work in the social security area on the Senate Finance Committee. Also I would like to say that I appreciate your comments. I am normally introduced these days as the husband of Elizabeth and that's where they end the introduction. So I am pleased to be recognized in my own right this morning.

Ms. **OAKAR.** We are not sexist on this committee.

Senator **Dole**. I would like to have my full statement placed in the record and then just touch on a few points. As everyone here knows, there are some very serious problems and some inequities in the present social security system. These were not resolved by the recommendations of the President's National Commission on Social Security Reform or by Congress in the recent financing legislation. To understand why, it is important to recall that we as the President's Commission, as many here know, were on the verge of collapse—I mean, we reached the point that we had decided not to have our last session because we just couldn't get together on a compromise financing package. These were different parties, different philosophies, and different things we thought we ought to do to restore the solvency of social security. It was only when the Speaker and the President became involved and sort of rescued the Commission from itself that we did, at least temporarily, vote to sustain social security. And it was a vote to sustain social security pretty much in the form it was. We did not, unfortunately, address a number of the issues raised not only by you, but by others concerned about the equity of social security for women. It was not our intent to disregard those issues—but dealing with the critical financing problem simply consumed all of our time and energies.

I would say that in our committee we are not holding hearings on S. 888, S. 19, and other areas that affect pension equity. We are going to be marking up those bills very soon. We have been working closely with different groups to make certain that we are doing enough while not going so far that we may not be able to pass the legislation and run into some other complication.

I believe that because of the activity of this task force, and just a lot of other things happening in the Congress and, frankly, primarily outside the Congress, there is a growing recognition of not only the need but also the willingness to face up to some of these issues in the Congress of the United States.

So I certainly commend the Chair and the others who are here this morning.

I would like to highlight a couple of areas that I think need focus. As I have indicated, increasingly, the treatment of women under social security is becoming a focus of public attention. And no wonder. The basic structure of the system whereby benefits are paid to workers upon retirement and to their wives and widows as presumed dependents was established nearly a half century ago. The system was consistent with the pattern of family relationships that was prevalent at that time—families in which marriages lasted a lifetime, women were mothers and homemakers and men were the source of economic support.

But there have been some profound changes—and I will only touch on a few—in the last 20 to 30 years. In 1960 23 million women were in the labor force, or about 38 percent of their ranks. Today the number of women in the labor force is more than twice that, amounting to 53 percent of adult women. In the decade of 1968 to 1978 the number of traditional families in which only the husband worked in paid employment actually declined by 4.1 million while the number of dual earner families rose by 4½ million, or about 25 percent.

Today, both the husband and wife work in paid employment in 51 percent of all marriages, as compared to 1920 when 9 percent of the marriages could be characterized in that way; 8½ million children under 6, or about 44 percent of all children, have mothers in the labor force.

The marriages of 1 in 3 women, ages 26 to 40, are expected to end in divorce. Whereas in 1940, six marriages occurred for each divorce, there were just two marriages for each divorce by 1975. Between 1970 and 1981 the divorce rate more than doubled, climbing from 47 per 1,000 married couples to 109. As for women maintaining households, that number has doubled in the past two decades—and I am not telling members of this task force anything they don't know—but it's gone from 4½ million in 1960 to 9.7 million in 1982. Today 1 out of 6 of the Nation's families are headed by a woman and 19.7 million children, 20 percent in all, live with one parent. In 90 percent of these cases that parent is the mother. I could go on and on with statistics, but I will put the remainder in the record.

My point is simply this: There has been a dramatic change in the role of women in our society and economy and we have not met that change. That is a challenge we have. It's not a partisan challenge. It's not a Republican or Democratic challenge. It's a challenge that we should face in a bipartisan or nonpartisan way.

As I indicated, we have made some legislative headway in the social security financing bill. In that bill benefit adequacy was improved for widows, divorced wives, and disabled widows, as recommended by the National Commission on Social Security Reform. A number of us on the National Commission, and I think the great majority, would have liked to have gone further in these areas, but it was generally agreed that the urgency and the enormity of the financing problem made that impossible. It is worth noting that this was an agreement with my friend, Martha Keyes, former Congresswoman from Kansas and Mary Falver Fuller, another member of the Commission.

Other changes improving the treatment of women under social security were also included in the bill. The public pension offset, for instance, enacted in 1977, was liberalized in recognition of its potentially severe impact on lower income women who entered the work force or returned to work late in life.

In addition, there was the Senate amendment that Senator Glenn just referred to, which was included in the bill, that calls for a study by the Department of HHS on the feasibility of implementing proposals for earnings sharing. This study is due to be completed by July 1. It is my hope that we can have it much earlier so that we can begin comprehensive hearings in our committee and certainly in the Ways and Means Committee.

Again, I say in the most candid way I can, we are going to take action to modernize social security—to update the system to reflect today's pattern of family and work relationships. Whether they are Democratic proposals, Republican proposals or, better yet, bipartisan proposals, you are going to see movement in the Congress. And reforms are going to cost some money. It will be necessary to make adjustments in social security in order to pay for some to the benefit changes that are long overdue. A well-financed system, obviously is essential for the Nation's elderly. But when there is a will there is a way and it seems to me that we are now looking in that direction.

So once again, I thank this distinguished committee and this task force for the hearings. I note that you have some outstanding witnesses who really understand the problem who will be testifying following those of us in Congress who think we understand the problem.

I appreciate very much this opportunity to appear before the task force. Thank you.

[The prepared statement of Senator Dole follows:]

PREPARED STATEMENT OF SENATOR DOLE

I commend the Chair of the Task Force on Social Security and Women for holding today's hearing. There may be some who hold the view that when Congress acted to shore up the financing of the ailing retirement system, the job of social security reform was complete, but as this hearing will surely highlight—at least in the area of women's equity—the job has just begun. The headway made in the Social Security Amendments of 1983 was necessarily limited. More comprehensive reform proposals, such as those introduced by the chair of this task force, now warrant careful consideration. The adequacy of benefits for divorced and widowed spouses, the equity of benefits for two-earner couples, and the financial viability of the system under various reform proposals must each be assessed. Given the vital role played by social security tin the provision of income security to women of all ages, the concerns raised today will be an important part of the women's equity issues that Congress will be grappling with in the months and years ahead.

Increasingly, the treatment of women under social security is becoming a focus of public attention. And no wonder! The basic structure of the system, whereby benefits are paid to workers upon retirement and to their wives and widows as presumed dependents, was established nearly a half century ago. The system was consistent with a pattern of family relationships that was prevalent at the time—families in which marriages lasted a lifetime, women were mothers and homemakers, and men were the source of economic support.

But, profound changes have taken place in the role of women in the work place and in the pattern of family relationships, especially during the last 20 to 30 years. This can be highlighted by a few statistics:

WOMEN IN THE WORK FORCE

In 1960, 23 million women were in the labor force or about 38 percent of their ranks. Today, the number of women in the labor force is more than twice that, amounting to 53 percent of adult women.

In the decade 1968–78, the number of "traditional" families, in which only the husband worked in paid employment, actually declined (by 4.1 million), while the number of dual-earner families rose by 4.5 million or about 25 percent.

Today, both the husband and wife work in paid employment in 51 percent of all marriages, as compared to 1920, when 9 percent of marriages could be characterized in that way.

WOMEN AS WORKING MOTHERS

The 8½ million children under 6, or about 44 percent of all such children, have mothers in the labor force.

MARRIAGE AND DIVORCE

The marriages of 1 in 3 women age 26–40 are expected to end in divorce.

Whereas in 1940, Six marriages occurred for each divorce, there were just two marriages for each divorce by 1975.

Between 1970 and 1981, the divorce rate more than doubled, climbing from 47 per 1,000 married couples to 109.

WOMEN AS HEADS OF HOUSEHOLDS

The number of women maintaining families on their own has more than doubled in the past two decades, from 4.5 million in 1960 to 9.7 million in 1982.

Today, 1 out of 6 of the Nation's families are headed by a Woman.

The 19.7 million children, 20 percent in all, live with one parent; in 90 percent of these cases, that parent is the mother.

WOMEN AS SENIOR CITIZENS

Whereas half of the elderly population was female in 1940, women account for about 61 percent of the elderly population today. Most elderly women are widows.

The gap between male and female life expectancy at age 65, only 1½ years in 1940, has increased to 4½ years today, and is projected to continue rising in the decades ahead.

The statistics go on and on, but one conclusion stands out. Women are now an important part of the paid work force at the same time they are an important source of economic security for their families and for themselves. It should come as no surprise that there is broad support for critically reexamining the impact of the social security system on women—whether as homemakers, as employees, or as both—and for taking legislative action where necessary to remedy inequities and inadequacies.

SOME HEADWAY ALREADY MADE

Some legislative headway, albeit limited, was made in the recently enacted financing bill, the social security amendments of 1983. In that bill, benefit adequacy was improved for widows, divorced wives, and disabled widows, as recommended by the National Commission on Social Security Reform. A number of us on the national commission would have liked to have gone further in these areas, but it was generally agreed that the urgency and enormity of the financing problem made that impossible in the limited time available. It is worth noting, I believe, that the need to limit the bill to only the four changes we recommended was supported by the two women on the National Commission, Martha Keys, former Congresswoman from Kansas, and Mary Falvey Fuller.

Other changes improving the treatment of women under social security were also included in the bill. The public pension offset, for instance, enacted in 1977, was liberalized in recognition of its potentially severe impact on lower income women who entered the work force or returned to work late in life. In addition, a Senate amendment which was included in the bill calls for a study by the Department of Health and Human Services on the feasibility of implementing proposals for earnings sharing. It is my hope that this study, due to be completed by July 1, 1984, can serve as the basis for comprehensive hearings in the Finance Committee next summer on social security and the treatment of women.

There is no denying that cost will be a concern whenever reform of social security is mentioned. A well financed system is absolutely essential for all of our Nation's elderly. But where there is a will, there is a way. Additional financing can either be provided or else program changes can be made effective after 1990, when the real financing crunch in the retirement system is expected to have passed. Modifications designed to update the system to reflect the role of women in today's society can and should be considered.

Once again, I thank the distinguished Chair of the Task Force on Social Security and Women for organizing this hearing.

Ms. **OAKAR**. Senator, as you know, we feel you are a key person, having that budgetary control in the Senate. To hear your commitment moving this along is very, very heartening and I want to thank you very much for being here.

Mr. Daub, would you like to——

Ms. **FERRARO**. Will the Chair yield?

Ms. **OAKAR**. I will be happy to yield.

Ms. **FERRARO**. I just wanted to also express my appreciation, Senator, for your appearance here today as well as for the fact that you will be holding hearings on the Economic Equity Act. I know that you are not yet a cosponsor and I would hope that after the hearings you will realize how important that bill is and that you will join us.

Your appearance here today is not only important in your position as chair of the Senate Finance Committee and as the distinguished husband of a distinguished Secretary, but also I would hope that it is an indication of the support that we can expect from the administration on these bills, as they affect the economic equity of women throughout this country.

I, again, really want to voice my appreciation for your being here today.

Senator **Dole**. I must say, not in a defensive way, that I don't cosponsor as many bills as I once did. I find that as chair of the Finance Committee you may get locked in somewhere and you have to be able to compromise and work things out with your colleagues. I believe we will, in the end, report out a very sound piece of legislation that will have broad support in our committee.

Ms. **Ferraro**. I am delighted to hear that. Thank you.

Ms. **Oakar**. Mr. Daub.

Mr. **Daub**. I want to just simply say that on behalf of the minority and, more especially myself personally, your leadership on all of these issues is most appreciated. I happen to support the equal rights amendment.

Senator **Dole**. I do, too.

Mr. **Daub**. I think it is a principal cause that should be bipartisan. I also think, that as you take the leadership in holding hearings, even though you may not be a cosponsor of a particular piece of legislation, it gives us all the more hope that things will not get bottled up, as they sometimes do here in the House. We appreciate the Senate's leadership very much and your leadership in particular. Thank you.

Senator **Dole**. And I support ERA, but again, I am not a cosponsor. I don't think that really is the indication of support. Sometimes you get to the point where you need a mediator. I am not in that business, but I have been working at it for the past couple of years. Sometimes you win, sometimes you lose, but there has got to be someone around in both parties that is willing to give a little bit. You can't always have your way in the legislative process, as we all know. Some people go off and sulk and won't play unless it's just like they want it. But I don't really think it is going to happen that way in this area. Those who don't listen to the women these days won't be around to listen in 10 years.

Ms. **Ferraro**. Bless you, Senator.

Ms. **Oakar**. Thank you, Senator.

We are very pleased that Mr. Boucher and Mr. Gekas are here to join us. Would you gentlemen like to have an opening statement?

Mr. **Boucher**. I have no statement. Thank you, Madam Chairman.

Ms. **Oakar**. Mr. Gekas.

Mr. **Gekas**. I just wanted to ask Mr. Dole if he is going to let us testify at his hearings.

[Laughter.]

Ms. **Oakar**. We'll try. I am sure he will.

Senator Cranston will be here, who is the major sponsor of our legislation on the Senate side, but we will go on to our panel now.

We are very happy to have some of the finest women's organizations represented here today—Maxine Forman, director of policy analysis, for WEAL [the Women's Equity Action League]; Alice Quinlan, who is Government relations director, the Older Women's

League; Judy Schub, who is the director of public policy for the National Federation of Business and Professional Women's Clubs, Inc.

We are really delighted that you fine spokespeople for this issue can be here. Maxine, we would be happy to have you begin. You may submit your testimony for the record, if you would like, and proceed in whatever way is most comfortable. Thank you.

PANEL ONE—CONSISTING OF MAXINE FORMAN, DIRECTOR OF POLICY ANALYSIS, WOMEN'S EQUITY ACTION LEAGUE; ALICE QUINLAN, GOVERNMENT RELATIONS DIRECTOR, OLDER WOMEN'S LEAGUE; JUDY SCHUB, DIRECTOR OF PUBLIC POLICY, NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC.

STATEMENT OF MAXINE FORMAN

Ms. FORMAN. Thank you. My name is Maxine Forman and I am pleased to be here today, representing the views of the Women's Equity Action League.

Representative Oakar, we are well aware that if it were not for your commitment to making social security more responsive to the concerns of women, we would not be feeling the spark of optimism that we are feeling today. Your work has helped to show that social security is, indeed, a women's issue. Clearly, more individuals need to recognize how important social security is to women and how profoundly the system affects their lives.

In fact, most people think that the typical social security recipient is an elderly male, with several sources of retirement income and a full work life of average or high earnings behind him. The truth is that women and children are almost two-thirds of all social security recipients. And women are 60 percent of the elderly receiving social security.

A number of people have expressed concern that women's groups are fostering bad feelings about the social security system and are undermining the system's popularity, so to speak. That is not WEAL's goal. We know the system is the best, the only thing women have right now. In fact, it has a few features without which women would be even poorer, but we also know there is room for improvement.

A question we hear over and over again from women who sometimes see their disadvantaged status as an individual problem is, "Does the social security system really discriminate against women?" We answer, "In effect, yes, social security laws are the same for both sexes, but women more than men are disadvantaged under the system."

For example, a worker can receive a social security benefit only if she works for 40 quarters, the equivalent of 10 years and pays social security taxes. Because women's employment patterns and homemaking responsibilities differ from those of men, women may not meet the number of years in covered employment to qualify for benefit as a worker.

A woman who does qualify for worker's benefits receives an adequate or substantial benefit only if she works at average or high-paying jobs for a full work life, with fewer than 5 years out of the work force. But women continue to receive substantially lower wages than men, and women, more than men, take time out to care for children or elderly or disabled dependents. For every year over 5 spent this way, a zero is averaged into a woman's wage record, lowering her benefit for life. Men usually drop the 5 lowest earning years, while women rarely do. They have already used their 5 drop-out years for time spent in dependent care.

A worker is eligible for disability benefits only if she worked 5 of the previous 10 years at the onset of disability. Women often cannot pass this recency of work test because they are out of the labor force for more than 5 years for homemaking responsibilities. When these women reenter the labor force, they must begin all over again to meet the 5-year requirements.

Disabled widows must meet a tougher test than disabled workers to qualify for social security disability benefits. The test considers medical factors, but ignores age, education and work experience. Disabled workers who cannot work in paid employment are eligible for benefits but benefits are provided to widows only if they are unable to do any productive activity, and 98 percent of disabled widow and widower beneficiaries are women. The stricter definition of disability leaves many elderly women unable to qualify for disability benefits.

Consider the following scenario which illustrates the unfairness of the current social security system to a young, divorced woman. A woman marries at age 22 after 4-years of paid work and remains at home for 8 years caring for children. She divorces at age 31 after a 9-year marriage. Not having worked long enough to earn eligibility as a worker yet and not having been married for 10 years to qualify for a spouse benefit, she finds herself with two preschoolers, no marketable skills or recent work experience, and not 1 cent, either as a spouse or a worker guaranteed toward a social security retirement benefit.

Yet she performs unpaid homemaking services for 8 years, freeing her husband to work in paid employment to contribute to the system and to be fully credited for himself to that system.

Now, assume that the same woman is successful in finding child care and in reentering the work force so that she can build up a social security record as a worker. She already has three zeros on her earnings record, will not be able to drop her 5 lowest earning years because she already dropped 5 of her no-earning years and, in addition, because of her new status as a covered worker under social security, she is neither insured for disability nor for survivor benefits for her children until she works for the number of years required for eligibility. Clearly, a seemingly neutral system can have a disparate impact.

A problem we get letters about all of the time is dual entitlement. A woman is entitled to receive retirement benefits on either her husband's wage record as a spouse or her own. A husband's work record can provide a benefit up to 50 percent of his. In many cases, a woman's work benefit is so low she receives the higher spouse benefit, an amount no greater than what she would have received anyway without working outside the home and contributing social security taxes.

If her own worker benefit is greater than her spouse benefit, it is often not greater by much, as a result of low wages and zeros averaged in for years out of the work force. More and more women resent paying social security taxes for 10 years only to receive the spouse benefit or a bit more in their own worker benefits.

The problems regarding the status of women under social security require carefully crafted solutions. In WEAL's view, preferred proposals for change would be those which recognize the economic value of dependent care and homemaking to a marriage and provide each individual with an independent portable earnings record.

For the future, that is, for people retiring about the turn of the century we support the concept of marriage as a partnership of equals. That is, earnings sharing. But we also urge adoption of proposals that could help elderly women who will be receiving benefits before a partnership notion could be fully implemented.

In general, we urge caution about proposals that are without adequate transition periods. Without such periods, people's plans and expectations can be seriously disrupted. Also we would be against proposals which would result in reduced benefits for people who already have low benefits under the current system.

In 1979 the Advisory Council on social security spent a good proportion of its deliberations discussing social security and women. I would briefly like to review a few proposals which have continued to be discussed as policy options.

Childcare dropout years. The Council considered but did not recommend it because it was not cost effective. This is a plan to allow persons caring for young children additional dropout years, currently five. Such a proposal would have improved the benefit levels of certain categories of women. The proposal would vary in cost depending on the number of additional dropout years and factors relating to earnings and periods of employment.

WEAL urges reconsideration of additional dependent care dropout years to determine how such a plan might be coordinated with other more comprehensive plans, such as earnings sharing.

Another proposal deserving of careful review, either by itself or in coordination with earnings sharing is the one that would modify the special minimum benefit now awarded to long-term, low-wage workers. This is one which Representative Oakar has in her comprehensive package of bills. It would allow credit for up to 10 childcare years and increase the number of years counted toward the special minimum benefit from 30 to 35. The proposal would raise benefits for women who worked many years for low wages and have had gaps for childcare responsibilities. This would help about 20 percent of retired women and about 5 percent of retired men.

The proposal considered by the Advisory Council as the most promising approach for the treatment of women was earnings sharing. The 1981 report of the National Commission on social security, however, did not adopt the 1979 Advisory Council's recommendation for a modified earnings sharing plan.

The Commission held that the plan reduced benefits for some individuals while raising benefits for others. In addition, it would not help elderly women divorced before the plan's implementation. Last, the Commission felt it would cost too much to guarantee widow's benefits at least as large as under current law.

But as recently as 1983 earnings sharing was once again singled out as a promising approach to the concerns of women. First, in the minority report of the National Commission on Social Security

Reform and soon after by the 1983 Social Security Amendments. The new law mandated the Department of Health and Human Services to develop plans on the implementation, impact and cost of various earnings sharing proposals.

Earnings sharing is a system which views marriage as an economic partnership and bases social security benefits on earnings records shared equally between spouses for each year of the marriage. The retirement benefit would be based an individual's earning before and after the marriage plus half of the shared earnings during the marriage. In this way, unpaid work in the home and paid work outside the home are valued equally within the economic unit.

In specified events such as retirement, divorce, or disability, the benefits could be based on shared earnings. Clearly—I agree with Senator Glenn when he says that "Earnings sharing would work best if accompanied by equal pay between the sexes." I would like to add the elimination of job segregation and the availability of good, affordable care for children and dependent elderly.

While earnings sharing models treat marriages as an economic partnership, they may differ in ways including, but not limited to, the following: Whether sharing is mandatory or voluntary; when and how sharing should take place; the treatment of elderly and other widow and widowers; the treatment of disabled individuals; the treatment of children of retired, disabled, or deceased individuals; the length of the transition period between the current system and earnings sharing; and the cost savings or additional costs to the system.

Now, if I could just run through a few examples of some things in current law and how they might be changed in earnings sharing, I will be finished.

Under current law a woman is penalized for years spent at home in child rearing and homemaking responsibilities for every year over 5 that she is out of the work force. If 10 years of earnings are not accumulated, the woman is not entitled to social security benefits based on her own earnings.

Under earnings sharing a married woman who leaves the labor force will continue to receive earnings credit from her husband's income. Upon reentering the labor force, the woman's earnings are added to the couple's total earnings, income, providing her with portable social security protection between the labor market and unpaid work.

Under current law, homemakers are not entitled to disability benefits. If they have not participated in the labor market for 5 out of the previous 10 years to their disability. Under earnings sharing each individual has his or her own wage record, regardless of participation in the labor market. Full-time homemakers could be eligible for disability benefits based on shared credits.

Under current law, social security benefits are inadequate for divorced women. These benefits were intended to supplement a husband's benefit and are too meager to maintain a separate household. In addition, a marriage must last 10 years for a spouse to be eligible for her benefits.

Under earnings sharing, a divorced spouse would be entitled to half the earnings credits during a marriage thus providing the divorced wife with an earnings record that she can build on after the divorce with her own labor market work. The 10-year marriage requirement would be eliminated.

Under current law, elderly widows receive very low social security benefits. Under earnings sharing widows could inherit the total earnings credit accumulated by the couple during their marriage, thereby providing a higher social security benefit in most cases and more financial stability in later years.

Under current law, families of deceased women are not eligible for benefits if the woman has not participated in the labor force long enough. Under earnings sharing, a deceased woman's family could receive benefits based on her earnings credit accumulated during her marriage. Under current law, a two-earner couple may receive lower monthly retirement benefits than a one-earner couple with the same total earnings. Under earnings sharing, the total income of the couple is computed for each spouse's social security benefits based on one-half the total income, regardless of whether the couple has one or two earners.

As WEAL's representative to the Technical Committee on Social Security Reform, a group of individuals which has been working with the Urban Institute to develop an earnings sharing model and simulate its effects, I can attest to the complexity of this issue and the perseverance this project has required.

The committee has begun to resolve some hard questions, which you will hear about later and has often raised two or three questions for every one we have resolved. Our meetings have been attended by advocates as well as technical experts, including experts from the Department of Health and Human Services, which has been mandated to address the issue of earnings sharing.

We would welcome the opportunity to testify again on social security and women when both the Technical Committee and HHS have completed their work. At that time we will be able to point to the data and document our position on the advantages and disadvantages of specific earnings sharing models.

We are grateful to Representative Oakar and Senator Cranston for their legislative initiatives on earnings sharing and their hard work in keeping the concept alive in the public policy arena.

Thank you for the opportunity to share WEAL's views.

[The prepared statement of Ms. Forman follows:]

PREPARED STATEMENT OF MAXINE FORMAN, DIRECTOR OF POLICY ANALYSIS, WOMEN'S EQUITY ACTION LEAGUE

REPRESENTATIVE OAKAR, MEMBERS OF THE COMMITTEE, I AM PLEASED TO BE HERE TODAY REPRESENTING THE VIEWS OF THE WOMEN'S EQUITY ACTION LEAGUE (KNOWN AS WEAL.)

FOUNDED IN 1968, WEAL IS A NATIONAL NONPROFIT ORGANIZATION SPECIALIZING IN WOMEN'S ECONOMIC ISSUES THROUGH RESEARCH, EDUCATION PROJECTS, THE SUPPORT OF LITIGATION, AND LEGISLATIVE ADVOCACY. WE ARE WELL AWARE THAT IF IT WERE NOT FOR YOUR INTEREST IN SOCIAL SECURITY, YOUR COMMITMENT TO MAKE IT MORE RESPONSIVE TO THE CONCERNS OF WOMEN, AND YOUR PERSISTENCE IN BRINGING THESE CONCERNS TO THE ATTENTION OF THE PUBLIC AND YOUR COLLEAGUES, WE WOULD NOT BE FEELING THE SPARK OF OPTIMISM THAT WE ARE FEELING TODAY.

YOUR WORK HAS HELPED TO SHOW THAT SOCIAL SECURITY IS INDEED A WOMAN'S ISSUE. CLEARLY, MORE INDIVIDUALS NEED TO RECOGNIZE HOW IMPORTANT SOCIAL SECURITY IS TO WOMEN AND HOW PROFOUNDLY THE SYSTEM AFFECTS THEIR LIVES.

IN FACT, MOST PEOPLE THINK THAT THE TYPICAL SOCIAL SECURITY RECIPIENT IS AN ELDERLY MALE WITH SEVERAL RESOURCES OF RETIREMENT INCOME AND A FULL WORKLIFE OF AVERAGE OR HIGH EARNINGS BEHIND HIM. THE TRUTH IS

THAT WOMEN AND CHILDREN ARE ALMOST TWO-THIRDS OF ALL SOCIAL SECURITY RECIPIENTS. (MEN COMPRISE THE REMAINING 35 PERCENT.) WOMEN ARE 60 PERCENT OF THE ELDERLY RECEIVING SOCIAL SECURITY.

DESPITE THE EXISTENCE OF SOCIAL SECURITY ELDERLY WOMEN REMAIN POOR

WOMEN RECEIVE SOCIAL SECURITY BENEFITS AS WORKERS, WIVES, AND SURVIVORS UNDER THE SOCIAL SECURITY SYSTEM. IN ALL THREE CATEGORIES, THEIR BENEFITS ARE VERY LOW. IN APRIL, 1982, THE AVERAGE MONTHLY BENEFIT FOR A RETIRED WOMAN WORKER WAS $355, AS COMPARED WITH $432 FOR MEN; SPOUSES AVERAGED $196, WHILE WIDOWS RECEIVED $351[1] IN GENERAL WOMEN'S LOW SOCIAL SECURITY BENEFITS CAN BE ATTRIBUTED TO LOW WAGES RESULTING FROM A LIFETIME OF DISCRIMINATION IN EDUCATION AND EMPLOYMENT. TIME SPENT OUT OF THE PAID WORK FORCE BECUASE OF HOMEMAKING RESPONSIBILITIES, AND PROVISIONS THAT TREAT DIVORCED WOMEN AND ELDERLY WOMEN INADEQUATELY. ACTUARIAL REDUCTIONS FOR TAKING BENEFITS BEFORE THE AGE OF 65 ALSO PLAY A PART IN DECREASING WOMEN'S MONTHLY CHECKS.

AS LOW AS WOMEN'S BENEFITS ARE, THEY ARE OFTEN THE PRIMARY OR SOLE SOURCE OF INCOME. FOR MOST WOMEN, A HISTORY OF LOW OR NO EARNINGS WORKS AGAINST BUILDING A NEST EGG TO SUPPLEMENT MEAGER SOCIAL SECURITY BENEFITS. IN ADDITION, FEW WOMEN RECEIVE PENSIONS, EITHER AS WORKERS OR SURVIVORS--AND WHEN THEY DO THE AMOUNTS ARE SMALL. ONLY 10 PERCENT OF WOMEN AGED 65 AND OLDER RECEIVED BENEFITS FROM PRIVATE PENSION PLANS IN 1980, AS COMPARED WITH 27 PERCENT OF MEN OVER 65.[2] WOMEN RECEIVED A MEDIAN INCOME OF ONLY $1,400 FROM PRIVATE PENSION PLANS BASED ON EITHER THEIR OWN WORK EXPERIENCE OR AS SURVIVORS OF WORKING SPOUSES.[3] FOR MEN, THE MEDIAN INCOME WAS $3,000.[4] THE MEDIAN ANNUAL INCOME FOR ALL WOMEN OVER THE AGE OF 65 FROM ALL SOURCES (I.E. EARNINGS, INTEREST FROM ASSETS, PENSIONS, AND SOCIAL SECURITY) WAS ONLY $4,757, AS COMPARED WITH $8,173 FOR MEN.[5]

IT IS NOT SURPRISING, THEN, THAT THE 1981 POVERTY RATE FOR ELDERLY WOMEN WAS HIGHER THAN FOR THE OVER-65 POPULATION IN GENERAL--18.6 PERCENT, AS COMPARED WITH 15.3 PERCENT.[6] IT IS ALSO NOT SURPRISING THAT THE LOSS OF A HUSBAND CAN SEND AN ELDERLY WOMAN MORE DEEPLY INTO POVERTY BECAUSE THE EVENT OFTEN SIGNALS THE END OF EARNINGS OR PENSIONS. ONLY 22 PERCENT OF ELDERLY WIDOWS RECEIVE RETIREMENT BENEFITS OTHER THAN SOCIAL SECURITY.[7] ONLY 14 PERCENT OF UNMARRIED ELDERLY WOMEN HAVE EARNINGS OF THEIR OWN, AND ONLY 28 PERCENT OF THOSE WITH EARNINGS WORK FULLTIME.[8] OF ALMOST 16 MILLION WOMEN OVER THE AGE OF 65, ONLY 6.1 MILLION (38 PERCENT) ARE MARRIED. 8.1 MILLION ARE WIDOWED, 900,500 WERE NEVER MARRIED, AND 695,200 ARE SEPARATED OR DIVORCED.[9] OF THESE 9.7 MILLION UNMARRIED WOMEN OVER THE AGE OF 65, ABOUT 6.7 MILLION (OR 42 PERCENT OF ALL WOMEN OVER THE AGE OF 65) LIVE ALONE OR WITH UNRELATED ADULTS.[10] (ELDERLY WOMEN, WHO HAVE AN 18-YEAR LIFE EXPECTANCY AT AGE 65, SELDOM REMARRY AND OFTEN REMAIN ALONE FOR THE REMAINDER OF THEIR LIVES.) IN 1981, OVER 2 MILLION OF THESE WOMEN WERE OFFICIALLY "POOR" (INCOME BELOW $4,359.)[11] (THEY COMPRISE 85 PERCENT OF ALL ELDERLY PEOPLE LIVING ALONE BELOW THE POVERTY LINE.)[12] USING 125 PERCENT OF THE POVERTY LEVEL (INCOME BELOW $5,449) THE FIGURE FOR ELDERLY WOMEN LIVING ALONE AT OR NEAR POVERTY SOARS FROM ABOUT 31 PERCENT TO OVER 50 PERCENT.[13] FOR MINORITY ELDERLY WOMEN LIVING ALONE, THE STATISTICS ARE SUBSTANTIALLY HIGHER. IT IS NOT SURPRISING, THEN, THAT WOMEN COMPRISE 73 PERCENT OF ELDERLY RECIPIENTS OF SUPPLEMENTAL SECURITY INCOME (SSI), A FORM OF INCOME ASSISTANCE FOR THE POOREST OF THE ELDERLY, DISABLED AND BLIND.[14]

WOMEN HAVE ALSO BEEN DISADVANTAGED BY CHANGES IN SOCIAL SECURITY IN THE 1981 BUDGET ACT. NOW A WIDOW (WHO IS NOT DISABLED) CANNOT RECEIVE BENEFITS BEFORE THE AGE OF 60 UNLESS SHE IS CARING FOR A CHILD UNDER AGE 16 (PREVIOUSLY IT WAS AGE 18). IN ADDITION, SOCIAL SECURITY DEPENDENTS BENEFITS TO CHILDREN OVER 18 OF RETIRED, DECEASED, AND DISABLED WORKERS ARE BEING GRADUALLY REDUCED, WITH TOTAL ELIMINATION PLANNED BY SEPTEMBER, 1985. NOW WIDOWED MOTHERS, MOST BETWEEN THE AGES OF 40 AND 60, WILL HAVE TO DIP INTO THEIR OWN RESOURCES TO EDUCATE THEIR COLLEGE-AGE CHILDREN. ESPECIALLY BURDENED WILL BE THE HIGH PROPORTION OF OLDER BLACK WOMEN WHO RAISE AND EDUCATE THEIR CHILDREN AND GRANDCHILDREN. PERHAPS THE MOST CONTROVERSIAL CHANGE WAS THE ELIMINATION OF THE MINIMUM SOCIAL SECURITY BENEFIT FOR FUTURE RECIPIENTS. THE ADMINISTRATION PORTRAYED THESE BENEFICIARIES AS "DOUBLE-DIPPING" RETIREES WITH HIGH GOVERNMENT PENSIONS. BUT THE OVERWHELMING MAJORITY ARE ELDERLY WOMEN, MOST OF WHOM HAVE EARNED LOW WAGES DURING THEIR WORK LIFE. NOW THESE WOMEN WILL RECEIVE SOCIAL SECURITY BENEFITS BASED SOLELY ON THEIR WAGE RECORD--NO MATTER HOW LOW, UNLESS THEY RECEIVE A HIGHER SPOUSE BENEFIT.

SEX DISCRIMINATION AND SOCIAL SECURITY

DOES THE SOCIAL SECURITY SYSTEM REALLY DISCRIMINATE AGAINST WOMEN? IN EFFECT, YES. SOCIAL SECURITY LAWS ARE THE SAME FOR BOTH SEXES, BUT WOMEN MORE THAN MEN ARE DISADVANTAGED UNDER THE SYSTEM. THIS IS TRUE FOR HOMEMAKERS AND FOR WOMEN WHO WORK FOR PAY. FOR EXAMPLE:

- A WORKER CAN RECEIVE A SOCIAL SECURITY RETIREMENT BENEFIT ONLY IF SHE WORKS FOR 40 QUARTERS (THE EQUIVALENT OF 10 YEARS) AND PAYS SOCIAL SECURITY TAXES. BECAUSE WOMEN'S EMPLOYMENT

PATTERNS AND HOMEMAKING RESPONSIBILITIES DIFFER FROM THOSE OF MEN, WOMEN MAY NOT MEET THE NUMBER OF YEARS IN COVERED EMPLOYMENT TO QUALIFY FOR BENEFIT AS A WORKER.

- A WOMAN WHO DOES QUALIFY FOR WORKER'S BENEFITS RECEIVES AN ADEQUATE OR SUBSTANTIAL BENEFIT ONLY IF SHE WORKS AT AVERAGE OR HIGH-PAYING JOBS FOR A FULL WORKLIFE, WITH FEWER THAN FIVE YEARS OUT OF THE WORKFORCE. BUT WOMEN CONTINUE TO RECEIVE SUBSTANTIALLY LOWER WAGES THAN MEN -- IN PART A RESULT OF DISCRIMINATION IN EDUCATION AND EMPLOYMENT. AND WOMEN, MORE THAN MEN, TAKE TIME OUT TO CARE FOR CHILDREN OR ELDERLY OR DISABLED DEPENDENTS. FOR EVERY YEAR OVER FIVE SPENT THIS WAY, A ZERO IS AVERAGED INTO A WOMAN'S WAGE RECORD, LOWERING HER BENEFIT FOR LIFE. MEN USUALLY DROP FIVE LOWEST EARNING YEARS WHILE WOMEN RARELY DO. THEY HAVE ALREADY USED UP THEIR FIVE DROP OUT YEARS FOR TIME SPENT IN DEPENDENT CARE -- THEIR ZERO EARNING YEARS.
- A WORKER IS ELIGIBLE FOR DISABILITY BENEFITS ONLY IF SHE WORKED FIVE OF THE PREVIOUS TEN YEARS AT THE ONSET OF DISABILITY. WOMEN OFTEN CANNOT PASS THIS "RECENCY OF WORK" TEST BECAUSE THEY ARE OUT OF THE LABOR FORCE FORCE FOR MORE THAN FIVE YEARS FOR HOMEMAKING RESPONSIBILITIES. WHEN THESE WOMEN REENTER THE LABOR FORCE, THEY MUST BEGIN ALL OVER AGAIN TO MEET THE FIVE YEAR REQUIREMENT. PROPOSALS TO TIGHTEN THE RECENCY OF WORK TEST WOULD FURTHER DISADVANTAGE WOMEN.
- DISABLED WIDOWS MUST MEET A TOUGHER TEST THAN DISABLED WORKERS TO QUALIFY FOR SOCIAL SECURITY DISABILITY BENEFITS. THE TEST

CONSIDERS MEDICAL FACTORS, BUT IGNORES AGE, EDUCATION AND WORK EXPERIENCE. DISABLED WORKERS WHO CANNOT WORK IN PAID EMPLOYMENT ARE ELIGIBLE FOR BENEFITS, BUT BENEFITS ARE PROVIDED TO WIDOWS ONLY IF THEY ARE UNABLE TO DO ANY PRODUCTIVE ACTIVITY. 98 PERCENT OF DISABLED WIDOW(ER) BENEFICIARIES ARE WOMEN. THE STRICTER DEFINITION OF DISABILITY FOR WIDOWS LEAVES MANY ELDERLY WOMEN UNABLE TO QUALIFY FOR DISABILITY BENEFITS.

ISSUES OF EQUITY AND ADEQUACY

THE PAST TWENTY YEARS HAVE BROUGHT INCREASING CONCERN ABOUT THE STATUS OF WOMEN UNDER SOCIAL SECURITY. WOMEN'S ORGANIZATIONS, POLICY MAKERS, INDEED WOMEN THEMSELVES, ARE RECOGNIZING THAT THE SYSTEM IS BECOMING LESS AND LESS APPROPRIATE FOR A SOCIETY WHICH HAS CHANGED QUITE DRASTICALLY SINCE THE SYSTEM BEGAN ITS DEVELOPMENT IN THE 1930'S. THE SYSTEM'S PURPOSE HAS BEEN TO PROVIDE WORKERS AND THEIR FAMILIES WITH INCOME ADEQUATELY ENOUGH TO REPLACE THE INCOME LOST THROUGH RETIREMENT, DISABILITY OR DEATH. ONE TYPE OF DERIVATIVE OR DEPENDENT BENEFIT WAS THE SPOUSE BENEFIT WHICH WAS TO SUPPORT THE WORKER AND SPOUSE IN A SOCIETY IN WHICH WORKERS WERE OVERWHELMINGLY MALE, IN WHICH MARRIAGES LASTED A LIFETIME, AND IN WHICH THE DIFFERENCE IN LIFE EXPECTANCY BETWEEN THE SEXES AT AGE 65 WAS SMALLER THAN TODAY. TODAY'S REALITY IS THAT WOMEN ARE 47 PERCENT OF THE WORKFORCE, THAT THE DIVORCE RATE IS 50 PERCENT, AND ELDERLY WOMEN SPEND MOST OF THEIR LATER YEARS WIDOWED AND LIVING ALONE, IT SEEMS CLEAR THAT THAT, DESPITE THE FACT THAT A SOCIAL SECURITY CHECK IS MADE OUT TO HER, THE WIFE'S BENEFIT WAS NOT VIEWED AS A VEHICLE TO

COMPENSATE A WOMAN FOR HER ECONOMIC CONTRIBUTION TO THE HOUSEHOLD OR MARRIAGE. ELSE WHY PROVIDE A BENEFIT EQUAL TO ONLY 1/3 OF THE COUPLE'S COMBINED AGE 65 BENEFIT? EXAMPLES OF ISSUES OF CONCERN TO WOMEN FOLLOW:

1. A WOMAN IS ENTITLED TO RECEIVE RETIREMENT BENEFITS ON EITHER HER HUSBAND'S WAGE RECORD (AS A SPOUSE) OR HER OWN. HER HUSBAND'S WORK RECORD CAN PROVIDE A BENEFIT UP TO 50 PERCENT OF HIS. IN MANY CASES A WOMAN'S WORK BENEFIT IS SO LOW THAT SHE RECEIVES THE HIGHER SPOUSE BENEFIT, AN AMOUNT NO GREATER THAN WHAT SHE WOULD HAVE RECEIVED ANYWAY -- WITHOUT WORKING OUTSIDE THE HOME AND CONTRIBUTING SOCIAL SECURITY TAXES (IF HER OWN WORKER BENEFIT IS GREATER THAN HER SPOUSE BENEFIT, IT IS OFTEN NOT GREATER BY MUCH, AS A RESULT OF LOW WAGES AND ZEROS AVERAGED IN FOR YEARS OUT OF THE WORKFORCE.) MORE AND MORE WOMEN RESENT PAYING SOCIAL SECURITY TAXES FOR 10 OR MORE YEARS ONLY TO RECEIVE THE SPOUSE BENEFIT OR A BIT MORE IN THEIR OWN WORKER BENEFIT. IT IS IMPORTANT TO NOTE THAT A 1982 STUDY BY THE SOCIAL SECURITY ADMINISTRATION DETERMINED THAT THE POTENTIAL RATE IS INCREASING FOR WIVES ENTITLED TO A WORKER BENEFIT TO RECEIVE A RETIREMENT BENEFIT NO GREATER THAN THE AMOUNT OF THEIR SPOUSE BENEFIT (DUAL ENTITLEMENT.)[15]
2. A ONE-EARNER COUPLE WITH THE SAME TOTAL LIFETIME AVERAGE EARNINGS AS A TWO-EARNER MAY RECEIVE A LARGER RETIREMENT CHECK. IN ADDITION, SURVIVORS OF SUCH TWO-EARNER COUPLES RECEIVE SUBSTANTIALLY LOWER BENEFITS. THIS OCCURS BECAUSE THE ONE-EARNER COUPLE RECEIVES AN ADDITIONAL SPOUSE BENEFIT OF 50 PERCENT.

(CONT. #2) SOCIAL SECURITY BENEFITS IN 1982

Earnings	One Earner Couple	Two Earner Couple
Husband	$1200	$600
Wife	0	$600
Retirement Benefits		
Husband	$517	$325
Wife	$259	$325
TOTAL	$517	$650
Survivor Benefits	$517	$325

(Source: Adapted from Jane Sherburne, "Women and Social Security: Seizing the Moment for Change." The Georgetown Law Review 70 (August 1982): 153-1604.)

3. MANY WIDOWED HOMEMAKERS ARE NOT ENTITLED TO RECEIVE BENEFITS WHEN THEIR HUSBANDS DIE. A WIDOW WILL RECIEVE BENEFITS ONLY IF SHE IS 60 YEARS OLD OR OLDER, OR DISABLED AND AT LEAST 50, OR IS CARING FOR CHILDREN UNDER 16 YEARS OF AGE. IF SHE RECEIVES HER BENEFITS BEFORE AGE 65, THEY ARE REDUCED FOR LIFE. WIDOWS (UNLESS DISABLED) ARE NOT ENTITLED TO SOCIAL SECURITY DURING THE "WIDOW'S GAP": THE PERIOD BETWEEN THE TIME HER LAST CHILD REACHES AGE 16 AND SHE REACHES AGE 60. THE LOSS OF INCOME DURING THIS PERIOD CREATES SEVERE HARDSHIPS FOR MANY WIDOWED HOMEMAKERS.
4. IF A HOMEMAKER BECOMES DISABLED OR DIES, HER FAMILY RECEIVES NO SOCIAL SECURITY BENEFIT SINCE HOMEMAKERS ARE UNPAID LABORERS AND NO TAXES ARE PAID INTO THE SYSTEM ON THEIR BEHALF. THE MONETARY VALUE OF HOMEMAKING AND CHILD CARE SERVICES -- WHICH ARE COSTLY TO REPLACE -- IS NOT RECOGNIZED UNDER THE SYSTEM.

5. A DIVORCED HOMEMAKER IS ELIGIBLE FOR A MAXIMUM OF 50 PERCENT OF HER EX-HUSBAND'S SOCIAL SECURITY BENEFIT, BUT ONLY IF HER MARRIAGE LASTED TEN YEARS OR MORE AND HER EX-HUSBAND HAS RETIRED. (THE 1983 SOCIAL SECURITY AMENDMENTS PROVIDE THAT BEGINNING IN 1985 A WOMAN AGE 62 AND OVER, DIVORCED FOR AT LEAST TWO YEARS, CAN COLLECT HER BENEFIT EVEN IF HER HUSBAND HAS NOT APPLIED FOR BENEFITS.) A SEPARATE PROBLEM EXISTS WHEN THE DIVORCED HOMEMAKER IS ELIGIBLE FOR THE SPOUSE BENEFIT BASED ON A TEN YEAR OR LONGER MARRIAGE BUT IS NOT ENTITLED TO A WORKER BENEFIT. SUCH WOMEN MUST SURVIVE ON A MEAGER WIFE'S BENEFIT WHICH WAS NEVER INTENDED TO MAINTAIN A SEPARATE HOUSEHOLD, BUT RATHER TO SUPPLEMENT A WORKER BENEFIT IN A MARRIAGE.

THE FOLLOWING SCENARIO ILLUSTRATES THE UNFAIRNESS OF THE CURRENT SOCIAL SECURITY SYSTEM TO A DIVORCED WOMAN WHO NEEDS TO COMBINE HOMEMAKING AND PAID WORK DURING HER LIFETIME: A WOMAN MARRIES AT AGE 22 AFTER 4 YEARS OF PAID WORK AND REMAINS AT HOME FOR 8 YEARS CARING FOR CHILDREN. SHE DIVORCES AT AGE 31 AFTER A 9 YEAR MARRIAGE. NOT HAVING WORKED LONG ENOUGH TO EARN ELIGIBILITY AS A WORKER YET, AND NOT HAVING BEEN MARRIED FOR 10 YEARS, SHE FINDS HERSELF WITH TWO PRE-SCHOOLERS, NO MARKETABLE SKILLS OR RECENT WORK EXPERIENCE AND NOT ONE CENT -- EITHER AS A SPOUSE OR AS A WORKER -- GUARANTEED TOWARD HER SOCIAL SECURITY RETIREMENT BENEFIT. YET SHE PERFORMED UNPAID HOMEMAKING SERVICES FOR 8 YEARS, FREEING HER HUSBAND TO WORK IN PAID EMPLOYMENT, TO CONTRIBUTE TO THE SYSTEM AND TO BE FULLY CREDITED FOR HIMSELF TO THAT SYSTEM.

NOW ASSUME THAT THE SAME WOMAN IS SUCCESSFUL IN FINDING CHILD-CARE AND RE-ENTERING THE WORKFORCE SO SHE CAN BUILD UP A SOCIAL SECURITY RECORD AS A WORKER. SHE ALREADY HAS 3 ZEROS ON HER EARNING RECORD AND WILL NOT BE ABLE TO DROP HER 5 LOWEST EARNING YEARS BECAUSE SHE ALREADY DROPPED 5 OF HER NO EARNINGS YEARS. IN ADDITION, BECAUSE OF HER NEW STATUS AS A COVERED WORKER UNDER SOCIAL SECURITY, SHE IS NEITHER INSURED FOR DISABILITY NOR FOR SURVIVOR BENEFITS FOR HER CHILDREN UNTIL SHE WORKS FOR THE NUMBER OF YEARS REQUIRED FOR ELIGIBILITY.*

SOLUTIONS TO PROBLEMS OF WOMEN UNDER THE SOCIAL SECURITY SYSTEM

THE PROBLEMS REGARDING THE STATUS OF WOMEN UNDER SOCIAL SECURITY REQUIRE SOLUTIONS THAT WOULD NOT ONLY EXPAND ELIGIBILITY AND IMPROVE BENEFIT LEVELS FOR CERTAIN CATEGORIES OF WOMEN BUT WOULD ALSO INCREASE FAIRNESS BETWEEN ONE AND TWO-EARNER COUPLES AND CERTAIN CATEGORIES OF INDIVIDUALS.

IN WEAL'S VIEW PREFERRED PROPOSALS FOR CHANGE WOULD BE THOSE WHICH RECOGNIZE THE ECONOMIC VALUE OF DEPENDENT CARE AND HOMEMAKING TO A MARRIAGE AND PROVIDE EACH INDIVIDUAL WITH AN INDEPENDENT "PORTABLE" EARNINGS RECORD. FOR THE FUTURE, THAT IS FOR PEOPLE RETIRING AROUND THE TURN OF THE CENTURY, WE SUPPORT THE CONCEPT OF MARRIAGE AS A PARTNERSHIP OF EQUALS, I.E. EARNINGS-SHARING, BUT WE ALSO URGE ADOPTION OF PROPOSALS THAT COULD HELP ELDERLY WOMEN WHO WILL BE RECEIVING BENEFITS BEFORE A "PARTNERSHIP" NOTION COULD BE FULLY IMPLEMENTED

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*For disability coverage, the requirement is 20 quarters out of 40 calendar quarters at the onset of disability, for survivor benefits for her children, six quarters during the 13 quarter period immediately preceding her death.

IN GENERAL, WE URGE CAUTION ABOUT PROPOSALS THAT ARE WITHOUT ADEQUATE TRANSITION PERIODS. WITHOUT SUCH PERIODS, PEOPLE'S PLANS AND EXPECTATIONS CAN BE SERIOUSLY DISRUPTED. ALSO, WE WOULD BE AGAINST PROPOSALS WHICH COULD RESULT IN REDUCED BENEFITS FOR PEOPLE WHO ALREADY HAVE LOW BENEFITS UNDER THE CURRENT SYSTEM.

IN ADDITION, ANY PROPOSALS, ESPECIALLY FAR-REACHING ONES, SHOULD BE EXAMINED AS TO THEIR IMPACT ON VARIOUS CATEGORIES OF BENEFICIARIES. FACTORS THAT SHOULD BE ANALYZED INCLUDE SEX, AGE, RACE, MARITAL STATUS, CURRENT BENEFIT LEVEL, AND OTHER SOURCES OF INCOME.

THE 1979 ADVISORY COUNCIL ON SOCIAL SECURITY[16] SPENT A GOOD PROPORTION OF ITS DELIBERATIONS DISCUSSING SOCIAL SECURITY AND WOMEN. I WOULD BRIEFLY LIKE TO REVIEW SOME OF THE COUNCIL'S CONCLUSIONS ABOUT PROPOSALS WHICH HAVE CONTINUED TO BE DISCUSSED AS POLICY OPTIONS.

HOMEMAKER CREDITS

THE COUNCIL EXPLORED BUT REJECTED A PLAN TO PROVIDE HOMEMAKERS CREDITS FOR YEARS SPENT IN THE HOME. BENEFITS BASED ON THESE CREDITS WOULD HAVE REPLACED CURRENT SPOUSE AND/OR SURVIVOR BENEFITS. ALTHOUGH THERE WERE DEFINITE ADVANTAGES TO THIS PROPOSAL INCLUDING DISABILITY FOR HOMEMAKERS, THE COUNCIL FELT THAT ELIGIBILITY CRITERIA FOR HOMEMAKER CREDITS WOULD BE TOO DIFFICULT TO DEVISE. IN ADDITION, FINANCING THE PLAN WAS VIEWED AS A BARRIER. NEITHER GENERAL REVENUES NOR INCREASED TAXES FROM ONE-EARNER COUPLES WERE ACCEPTABLE. THE COUNCIL CONCLUDED THAT IF THE CREDITS WERE USED TO REPLACE THE AGED WIDOW'S BENEFITS, WIDOWS WOULD RECEIVE MUCH LOWER BENEFITS THAN THEY RECEIVE NOW.

CHILDCARE DROPOUT YEARS

THE COUNCIL CONSIDERED BUT DID NOT RECOMMEND, BECAUSE IT WAS NOT COST EFFECTIVE, A PLAN TO ALLOW PERSONS CARING FOR YOUNG CHILDREN ADDI-

TIONAL DROP-OUT YEARS (CURRENTLY 5). SUCH A PROPOSAL WOULD HAVE IMPROVED THE BENEFIT LEVELS OF CERTAIN CATEGORIES OF WOMEN. A VARIETY OF PROPOSALS RANGED IN COST FROM 0.1 PERCENT TO 0.5 PERCENT OF TAXABLE PAYROLL DEPENDING ON THE NUMBER OF ADDITIONAL DROPOUT YEARS AND FACTORS RELATING TO EARNINGS AND PERIODS OF EMPLOYMENT. A NARROW MAJORITY OF THE COUNCIL FELT THIS PROPOSAL SHOULD BE RECONSIDERED WHEN THE SYSTEM WAS IN A BETTER FINANCIAL POSITION. WEAL URGES CONSIDERATION OF ADDITIONAL DEPENDENT CARE DROPOUT YEARS TO DETERMINE HOW SUCH A PLAN MIGHT BE COORDINATED WITH OTHER MORE COMPREHENSIVE PLANS, SUCH AS EARNINGS-SHARING.

ANOTHER PROPOSAL DESERVING OF CAREFUL REVIEW EITHER BY ITSELF OR IN COORDINATION WITH EARNINGS-SHARING IS ONE RECOMMENDED BY THE NATIONAL COMMISSION ON SOCIAL SECURITY.[17] A SIMILAR PROPOSAL CAN BE FOUND IN REP. OAKAR'S COMPREHENSIVE PACKAGE OF BILLS INTRODUCED IN THE 98th CONGRESS.

THE PROPOSAL WOULD MODIFY THE SPCIAL MINIMUM BENEFIT NOW AWARDED TO LONG-TERM, LOW-WAGE WORKERS TO 1) ALLOW CREDIT FOR UP TO 10 CHILDCARE YEARS AND 2) INCREASE THE NUMBER OF YEARS COUNTED TOWARD THE SPECIAL MINIMUM BENEFIT FROM 30 TO 35 YEARS. THE PROPOSAL WOULD RAISE BENEFITS FOR WOMEN WHO WORKED MANY YEARS FOR LOW WAGES AND HAVE HAD GAPS FOR CHILDCARE RESPONSIBILITIES. IT WOULD ENABLE INDIVIDUALS WITH FULL WORKLIVES OF 34 OR MORE YEARS (INCLUDING THE 10 CHILDCARE YEARS) TO RECEIVE BENEFITS THAT MEET THE POVERTY THRESHOLD. ACCORDING TO THE COMMISSION, THIS CHANGE COULD INCREASE BENEFITS FOR ABOUT 20 PERCENT OF RETIRED WOMEN AND 5 PERCENT OF RETIRED MEN. THE WOMEN HELPED BY THIS PLAN WOULD MOST LIKELY BE DIVORCED WOMEN AND MARRIED

WOMEN WHO HAD COMBINED PERIODS OF HOMEMAKING WITH LONGTERM, LOW-WAGE PAID EMPLOYMENT. (EVEN MORE WOMEN COULD BE HELPED IF THE EARNINGS REQUIREMENT FOR ELIGIBILITY FOR THE SPECIAL MINIMUM BENEFIT WERE LOWERED.) THE NATIONAL COMMISSION ESTIMATED THE LONG-RANGE AVERAGE COST OF THE CHILDCARE SPECIAL MINIMUM BENEFIT TO BE 14 PERCENT OF TAXABLE PAYROLL. (A FULL DISCUSSION OF THIS PROPOSAL IS FOUND ON P. 233 OF THE COMMISION'S REPORT.)

TWO OTHER PLANS ALSO HAVE DISCUSSED. ONE WOULD INCREASE BENEFITS TO ALL WORKERS AND DECREASE THE DEPENDENT SPOUSE BENEFIT. THE OTHER WOULD INCREASE BENEFITS TO WORKING SPOUSES.

THE FIRST PROPOSAL WOULD RESULT IN LESS DUPLICATION FOR WOMEN WHO PAY SOCIAL SECURITY TAXES AND WOULD INCREASE BENEFITS FOR TWO EARNER COUPLES, SINGLE WORKERS, AND WIDOWS. BUT IT WOULD REDUCE BENEFITS FOR DIVORCED HOMEMAKERS, RETAIN THE CONCEPT OF DEPENDENCY, AND IN ADDITION, WOULD COST AS MUCH AS 1.5 PERCENT OF TAXABLE PAYROLL. THE SECOND PROPOSAL WOULD PAY A LESSER EARNING SPOUSE ELIGIBLE FOR BENEFITS BOTH AS A WORKER AND A SPOUSE A BENEFIT EQUAL TO 100 PERCENT OF THE HIGHER BENEFIT PLUS 25 PERCENT OF THE LOWER BENEFIT. WHILE THIS PLAN WOULD INCREASE BENEFITS FOR ALL LOWER EARNING SPOUSES, EX-SPOUSES AND WIDOWS, IT WOULD WORSEN OTHER DISPARITIES AND DO NOTHING TO IMPROVE THE SITUATION OF DISABLED HOMEMAKERS. THIS PLAN TOO WOULD CONTINUE THE NOTION OF DEPENDENCY-BASED BENEFITS AND WOULD HAVE AN AVERAGE LONG-RANGE COST OF ABOUT .7 PERCENT OF PAYROLL.

THE PROPOSAL CONSIDERED BY THE 1979 ADVISORY COUNCIL AS "THE MOST PROMISING APPROACH" FOR THE TREATMENT OF WOMEN UNDER SOCIAL SECURITY WAS EARNINGS SHARING. THE PRESIDENT'S COMMISSION ON PENSION POLICY AND THE DEPARTMENT OF JUSTICE TASK FORCE ON SEX DISCRIMINATION ALSO SINGLED OUT

EARNINGS SHARING AS THE OPTION WITH THE BEST POTENTIAL FOR REFORM OF THE SYSTEM. THE 1981 REPORT OF THE NATIONAL COMMISSION ON SOCIAL SECURITY, HOWEVER, DID NOT ADOPT THE 1979 ADVISORY'S RECOMMENDATION FOR A MODIFIED EARNINGS-SHARING PLAN. THE COMMISSION HELD THAT THE PLAN REDUCED BENEFITS FOR SOME INDIVIDUALS WHILE RAISING BENEFITS FOR OTHERS AND, IN ADDITION, WOULD NOT HELP ELDERLY WOMEN DIVORCED BEFORE THE PLAN'S IMPLEMENTATION. LAST, THE COMMISSION FELT IT WOULD COST TOO MUCH TO GUARANTEE WIDOW'S BENEFITS AT LEAST AS LARGE AS UNDER CURRENT LAW.

AS RECENTLY AS 1983, EARNINGS SHARING WAS ONCE AGAIN SINGLED OUT AS A PROMISING APPROACH TO THE CONCERNS OF WOMEN UNDER THE SOCIAL SECURITY SYSTEM -- FIRST IN THE MINORITY REPORT OF THE NATIONAL COMMISSION ON SOCIAL SECURITY REFORM AND SOON AFTER BY THE 1983 SOCIAL SECURITY AMENDMENTS. THE NEW LAW MANDATED THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) TO DEVELOP PLANS ON THE IMPLEMENTATION,IMPACT AND COSTS OF VARIOUS EARNINGS SHARING PROPOSALS AND REPORT BACK TO CONGRESS BY JULY 1984.

EARNINGS SHARING

EARNINGS SHARING IS A SYSTEM WHICH VIEWS MARRIAGE AS AN ECONOMIC PARTNERSHIP AND BASES SOCIAL SECURITY BENEFITS ON EARNINGS RECORDS SHARED EQUALLY BETWEEN SPOUSES FOR EACH YEAR OF THEIR MARRIAGE. THE SOCIAL SECURITY RETIREMENT BENEFIT WOULD BE BASED ON AN INDIVIDUAL'S EARNINGS BEFORE AND AFTER THE MARRIAGE PLUS HALF OF THE SHARED EARNINGS DURING THE MARRIAGE. EACH PERSON, HUSBAND AND WIFE, WOULD HAVE AN INDIVIDUAL EARNINGS RECORD AS A "WORKER" -- EVEN IF SOME OR ALL OF THE WORK WAS UNPAID HOMEMAKING. FOR EXAMPLE TWO PARTNERS IN A ONE EARNER COUPLE

WITH EARNINGS OF $500 WOULD EACH BE CREDITED WITH $250 IN EARNINGS. SIMILARLY, THE PARTNERS IN A TWO EARNER COUPLE WOULD SHARE EQUALLY THE SUM OF THEIR MONTHLY EARNINGS. HALF WOULD BE CREDITED TO THE SOCIAL SECURITY WAGE RECORD OF EACH. IN THIS WAY, UNPAID WORK IN THE HOME AND PAID WORK OUTSIDE THE HOME ARE VALUED EQUALLY WITHIN THE ECONOMIC UNIT. AT SPECIFIED EVENTS, SUCH AS RETIREMENT, DIVORCE, OR DISABILITY, BENEFITS WOULD BE BASED ON SHARED EARNINGS. UPON THE DEATH OF A SPOUSE, THE SURVIVING INDIVIDUAL COULD INHERIT THE EARNINGS CREDITS OF THE DECEASED SPOUSE. CLEARLY, EARNINGS-SHARING WOULD WORK BEST IF IT WERE ACCOMPANIED BY EQUAL PAY BETWEEN THE SEXES, THE ELIMINATION OF JOB SEGREGATION AND THE AVAILABILITY OF GOOD AFFORDABLE CARE FOR CHILDREN AND DEPENDENT ELDERLY.

WHILE ALL EARNINGS-SHARING MODELS TREAT MARRIAGE AS A PARTNERSHIP OF EQUALS, THEY MAY DIFFER IN WAYS INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

- WHETHER SHARING IS MANDATORY OR VOLUNTARY
- WHEN AND HOW SHARING SHOULD TAKE PLACE
- THE TREATMENT OF ELDERLY AND OTHER WIDOW(ER)S
- THE TREATMENT OF DISABLED INDIVIDUALS
- THE TREATMENT OF CHILDREN OF RETIRED, DISABLED OR DECEASED INDIVIDUALS
- THE LENGTH OF THE TRANSITION PERIOD BETWEEN THE CURRENT SYSTEM AND EARNINGS-SHARING
- THE COST SAVINGS OR ADDITIONAL COST TO THE SYSTEM

(FOR BRIEF DESCRIPTIONS OF TYPES OF EARNINGS SHARING MODELS, SEE P. H 7 AND H 8, FINAL REPORT OF THE NATIONAL COMMISSION ON SOCIAL SECURITY REFORM, JANUARY 1983.)

EXAMPLES FOLLOW OF HOW EARNINGS SHARING CAN PROVIDE SOLUTIONS TO PROBLEMS IN THE CURRENT SYSTEM.

- **CURRENT LAW** A WOMAN IS PENALIZED FOR YEARS SPENT AT HOME IN CHILDREARING AND HOMEMAKING RESPONSIBILITIES BY RECEIVING ZEROS ON HER EARNINGS RECORD FOR EVERY YEAR AFTER FIVE SHE IS OUT OF THE WORKFORCE. IF 10 YEARS OF EARNINGS ARE NOT ACCUMULATED, A WOMAN IS NOT ENTITLED TO A SOCIAL SECURITY BENEFIT BASED ON HER OWN EARNINGS.

  EARNINGS SHARING A MARRIED WOMAN WHO LEAVES THE LABOR FORCE FOR HOMEMAKING WILL CONTINUE TO RECEIVE EARNINGS CREDITS FROM HER HUSBAND's INCOME. UPON REENTERING THE LABOR FORCE, THE WOMAN'S EARNINGS ARE ADDED TO THE COUPLE'S TOTAL INCOME, PROVIDING HER WITH PORTABLE SOCIAL SECURITY PROTECTION BETWEEN LABOR MARKET WORK AND UNPAID WORK. THE ROLE OF THE HOMEMAKER IS RECOGNIZED AS A VALUABLE ECONOMIC ASSET TO SOCIETY.

- **CURRENT LAW** HOMEMAKERS ARE NOT ENTITLED TO DISABILITY BENEFITS IF THEY HAVE NOT PARTICIPATED IN THE LABOR MARKET FOR 5 OUT OF THE PREVIOUS 10 YEARS TO THEIR DISABILITY EVEN THOUGH THEIR DISABILITY RESULTS IN ECONOMIC HARDSHIP FOR HER FAMILY.

  EARNINGS SHARING EACH INDIVIDUAL HAS HIS/HER OWN WAGE RECORD REGARDLESS OF PARTICIPATION IN THE LABOR MARKET. FULL-TIME HOMEMAKERS COULD BE ELIGIBLE FOR DISABILITY BENEFITS BASED ON SHARED CREDITS.

●	CURRENT LAW:	SOCIAL SECURITY BENEFITS ARE INADEQUATE FOR DIVORCED WOMEN -- AVERAGING $192/ MONTH IN 1982. THESE BENEFITS WERE INTENDED TO SUPPLEMENT A HUSBAND'S BENEFIT AND ARE TOO MEAGER TO MAINTAIN A SEPARATE HOUSEHOLD. IN ADDITION, A MARRIAGE MUST LAW 10 YEARS FOR A SPOUSE TO BE ELIGIBLE FOR HER SPOUSE BENEFITS.
	EARNINGS SHARING:	A DIVORCED SPOUSE WOULD BE ENTITLED TO HALF THE EARNINGS CREDITS DURING A MARRIAGE, THUS PROVIDING THE DIVORCED WIFE WITH AN EARNINGS RECORD THAT SHE CAN BUILD ON AFTER THE DIVORCE WITH HER OWN LABOR MARKET WORK. THE 10 YEAR MARRIAGE REQUIREMENT WOULD BE ELIMINATED.
●	CURRENT LAW:	ELDERLY WIDOWS RECEIVE VERY LOW SOCIAL SECURITY BENEFITS -- AVERAGING $351 IN 1982.
	EARNINGS SHARING:	WIDOWS WOULD INHERIT THE TOTAL EARNINGS CREDITS ACCUMULATED BY THE COUPLE DURING THEIR MARRIAGE, THEREBY PROVIDING A HIGHER SOCIAL SECURITY BENEFIT (IN MOST CASES) AND MORE FINANCIAL STABILITY IN LATER YEARS.
●	CURRENT LAW:	FAMILIES OF DECEASED WOMEN ARE NOT ELIGIBLE FOR BENEFITS UNDER THE PRESENT SYSTEM IF THE WOMAN HAS NOT PARTICIPATED IN THE LABOR FORCE LONG ENOUGH TO QUALIFY FOR BENEFITS.
	EARNINGS SHARING:	A DECEASED WOMAN'S FAMILY COULD RECEIVE BENEFITS BASED ON HER EARNINGS CREDITS ACCUMULATED DURING HER MARRIAGE.
●	CURRENT LAW:	A TWO EARNER COUPLE MAY RECEIVE LOWER MONTHLY RETIREMENT BENEFITS THAN A ONE EARNER COUPLE WITH THE SAME TOTAL EARNINGS.

EARNINGS SHARING: THE TOTAL INCOME OF A COUPLE IS COMPUTED FOR EACH SPOUSE'S SOCIAL SECURITY BENEFITS BASED ON ½ THE TOTAL INCOME, REGARDLESS OF WHETHER THE COUPLE HAS ONE OR TWO EARNERS. A TWO EARNER COUPLE MAY ACTUALLY RECEIVE HIGHER BENEFITS DUE TO THE WEIGHTED BENEFIT FORMULA.

- CURRENT LAW: A WOMAN IS OFTEN ENTITLED TO A HIGHER BENEFIT AS A SPOUSE THAN AS A WORKER. HER SPOUSE BENEFIT MAY BE NO GREATER THAN THE BENEFIT SHE WOULD HAVE RECEIVED HAD SHE NEVER WORKED OUTSIDE THE HOME AND NEVER PAID SOCIAL SECURITY TAXES. A WOMAN WORKER HAS TO EARN OVER ONE-THIRD OF THE COUPLE'S TOTAL EARNINGS FOR HER WORKER BENEFIT TO EXCEED HER SPOUSE BENEFIT.

  EARNINGS SHARING: A WOMAN IS ENTITLED TO BENEFITS BASED ON HALF THE TOTAL EARNINGS DURING A MARRIAGE REGARDLESS OF HER STATUS IN THE WORKFORCE. THE CONCEPT OF A "SPOUSE BENEFIT" IS ELIMINATED.

- CURRENT LAW: THE PRESENT SOCIAL SECURITY SYSTEM INCORPORATES THE NOTION OF "DEPENDENCY" FOR SPOUSES BECAUSE THEIR BENEFIT IS OFTEN CALCULATED BASED ON THEIR HUSBAND'S WAGE RECORD AND NOT THEIR OWN.

  EARNINGS SHARING: THE NOTION OF DEPENDENCY IS ELIMINATED BY EARNINGS SHARING PLANS BECAUSE MARRIAGE IS CONSIDERED AN ECONOMIC PARTNERSHIP AND EACH PARTNER'S CONTRIBUTION TO THAT MARRIAGE IS VALUED.

AS WEAL'S REPRESENTATIVE TO THE TECHNICAL COMMITTEE, A GROUP OF INDIVIDUALS WHICH HAS BEEN WORKING WITH THE URBAN INSTITUTE TO DEVELOP AN EARNINGS SHARING MODEL AND SIMULATE ITS EFFECTS, I CAN ATTEST TO THE COMPLEXITY OF THE ISSUE AND THE DEGREE OF EXPERTISE, TIME, AND PERSERVERANCE THIS PROJECT HAS REQUIRED. THE COMMITTEE HAS BEGUN TO RESOLVE SOME HARD QUESTIONS AND HAS OFTEN RAISED TWO OR THREE QUESTIONS FOR EVERY ONE RESOLVED. OUR MEETINGS HAVE BEEN ATTENDED BY ADVOCATES AS WELL AS TECHNICAL EXPERTS, INCLUDING EXPERTS FROM THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, WHICH, AS I MENTIONED EARLIER, HAS BEEN MANDATED TO ADDRESS THE ISSUE OF EARNINGS SHARING.

AT THIS TIME, THAT IS BEFORE THE RESULTS OF THE TECHNICAL COMMITTEE AND HHS ARE MADE PUBLIC, WEAL IS NOT SUPPORTING A SPECIFIC EARNINGS SHARING PLAN, BUT WE WOULD LIKE TO LIST SOME FEATURES WHICH WE CONSIDER IMPORTANT TO A GOOD PLAN.

- EARNINGS SHARING SHOULD BE MANDATORY
- THE TRANSITION PERIOD SHOULD BE ADEQUATE TO INSURE THAT PLANS AND EXPECTATIONS ARE NOT DISRUPTED
- THERE SHOULD BE NO MINIMUM NUMBER OF YEARS OF MARRIAGE REQUIRED FOR EARNINGS SHARING AT DIVORCE
- INHERITANCE OF EARNINGS CREDITS FOR SURVIVORS SHOULD BE 100 PERCENT OF COMBINED EARNINGS DURING A MARRIAGE
- DISABLED INDIVIDUALS SHOULD BE ELIGIBLE FOR BENEFITS AT ANY AGE
- IF TRANSITIONAL BENEFITS FOR WIDOWS ARE PART OF A PLAN, THEY SHOULD BE PROVIDED FOR A PERIOD LONG ENOUGH TO HELP A WIDOW PREPARE FOR EMPLOYMENT, E.G. 2 YEARS

WEAL WOULD WELCOME THE OPPORTUNITY TO TESTIFY AGAIN ON EARNINGS SHARING WHEN BOTH THE TECHNICAL COMMITTEE AND HHS HAVE COMPLETED THEIR WORK. AT THAT TIME WE WILL BE ABLE TO POINT TO THE DATA AND DOCUMENT OUR POSITION ON THE ADVANTAGES AND DISADVANTAGES OF SPECIFIC EARNINGS

FOOTNOTES

1. Social Security Administration, 1982.
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WEAL Facts

Women's Equity Action League
805 15th Street NW, Suite 822, Washington, DC 20005 (202) 638-1961

SOCIAL SECURITY
& WOMEN

THIS PACKET INCLUDES THE FOLLOWING
FACT SHEETS ON SOCIAL SECURITY ISSUES
OF CONCERN TO WOMEN

1) Social Security is a Women's Issue
2) Social Security Amendments of 1983: Impact of Financing Provisions on Women
3) Women's Provisions in the Social Security Amendments of 1983
4) Social Security and Minority Women
5) Sources & Suggested References on Women & Social Security

Women's Equity Action League (WEAL) is a national membership organization that works to secure the legal and economic rights of women through a program of research, public education and legislative advocacy.

Please use this information whenever and wherever possible.
THANK YOU FOR CREDITING WEAL AS THE SOURCE. For more information,
contact Maxine Forman or Pat Reuss at WEAL, 805 - 15th St. NW
Suite 822, Washington D.C. 20005 (202)638-1961

WEAL Facts

Women's Equity Action League
805 15th Street NW, Suite 822, Washington, DC 20005 (202) 638-1961

Social Security
Fact Sheet #1

SOCIAL SECURITY IS A WOMEN'S ISSUE

Elderly women[1] are the fastest growing poverty population in the nation. Typically an elderly woman is single[2], lives alone, has limited resources and depends on her small Social Security benefits as her primary or sole source of income. Women's benefits are low as a result of: a lifetime of low wages; benefit calculations which average zeros into earnings records for years spend in homemaking; provisions which treat divorced and widowed women inadequately; and benefit reductions for early retirement. The fact is that 54% of 8 million single elderly women receiving Social Security benefits live near or below the poverty level.[3]

Many people think that the typical elderly Social Security recipient is a white male who has other sources of retirement income and a full worklife of average or higher earnings behind him. This portrait ignores those who face limited options throughout their lifetime because of race or sex.

Women are the majority of Social Security recipients.

- Women and children are almost two-thirds of all Social Security recipients.[4]
- Women are 60% of elderly Social Security beneficiaries.

Women are the majority of the elderly poor.

- The poverty rate for elderly women is 18.6%, as compared to 10.5% for elderly men.
- 52% of elderly white single women and 84% of elderly Black single women live at or near the poverty level.
- Single women are 85% of all elderly people living alone below the poverty level.
- Women are 73% of 1.7 million elderly Supplemental Security Income (SSI) recipients.[5]

Women get the lowest Social Security benefits.

- The average monthly benefit in 1982 for adult women was $308 as compared to $430 for adult men. Retired female workers averaged $335 as compared to $438 for male workers; spouses averaged $196 and widows $351. Black female workers averaged $210 in 1979 (latest available figure).

As low as these benefits are, women depend on them as their primary or sole source of income.

- The median annual income for all women over age 65 from all sources (earnings, interest, pensions, and Social Security) was only $4757, as compared to $8173 for men in 1981.
- 33% of elderly single women depend on Social Security for more than 90% of their income. 30% of single elderly Black women depend solely on Social Security benefits.
- Only 10% of elderly women receive private pensions. The median income from private pensions in 1981 for women was $1430, half of men's median income from pensions.
- Only 8% of elderly women are in the workforce, earning an average income of $5394.

[1] Elderly women denotes 65 years and older.
[2] Single women includes widowed, divorced, separated and never married women.
[3] Poverty level is $4359/year; near poverty is $5449/year.
[4] Women, 52%; children, 13%; men, 35%.
[5] A form of welfare for the poorest elderly, blind, and disabled.

INEQUITIES AND INADEQUACIES FOR WOMEN UNDER THE SOCIAL SECURITY SYSTEM

Women as Workers: Women who leave the workforce for homemaking responsibilities receive zeros on their earnings record for every year over 5 they do not work for pay.

A woman is often entitled to a higher benefit as a spouse than as a worker. Her spouse benefit may be no greater than the benefit she would have received had she never worked outside the home and never paid Social Security taxes.

A worker qualifies for disability benefits only if she worked five of the previous ten years at the onset of disability. Women often cannot pass this "recency of work" test if they have been out of the labor force for family responsibilities. Upon reentering the labor force such women must begin all over again to meet the five year requirement.

A two-earner couple may receive lower monthly retirement benefits than a one-earner couple with the same total earnings.

Women as Homemakers: A divorced woman is eligible for a maximum of 50% of her former spouse's Social Security benefit, but only if the marriage lasted at least ten years and her former spouse retires. Further, the spouse benefit is usually inadequate to maintain a separate household.

A widow has no Social Security protection during the "widow's gap" -- the years between the time her youngest child turns 16 and the widow turns 60, unless she is disabled. If the benefit is claimed at age 60, it is reduced by 28.5% for life. Displaced homemakers under 60 without earning skills may not qualify for Aid to Families With Dependent Children and are too young for Social Security, yet they must survive.

A homemaker who becomes disabled is not eligible for Social Security benefits even though her disability could cause economic hardship for her family. Few private insurance companies will sell disability insurance to a homemaker.

OLDER WOMEN'S ECONOMIC SITUATION WORSENED BY SOCIAL SECURITY CHANGES IN THE 1981 BUDGET ACT:

- Termination of the parent's benefit when the youngest child reaches sixteen years of age (previously 18 years of age) lengthens the period a widow must [illegible]it to be eligible for a widow's benefit.

- Elimination of the $122 minimum benefit for future retirees as of January 1982. The majority of recipients are elderly women who were low earners and will now get a benefit based solely on their wage record.

- Phase out of student benefits by September 1985 for college-age children of retired, disabled or deceased workers. Widows, most age 40-60, will have the additional expense of educating their college age children.

- In addition to the above changes, funds for Supplemental Security Income, Medicaid, Food Stamps, Low Income Housing, and Low Income Energy Assistance were frozen or reduced, forcing low income elderly women further into poverty.

FOR MORE INFORMATION ON SOCIAL SECURITY INCLUDING ACTION IN THE 98TH CONGRESS
CONTACT: WEAL
805 15th St. NW Suite 822
Washington D.C. 20005
(202) 638-1961

Maxine Forman, Director, Research and Policy Analysis
Written by Christine deVries

SOURCES: Social Security Bulletin, Annual Statistical Supplement 1981, Social Security Administration.
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FOR MORE INFORMATION ON SOCIAL SECURITY INCLUDING ACTION IN THE 98TH CONGRESS
CONTACT: WEAL
805 15th St. NW Suite 822
Washington D.C. 20005
(202) 638-1961

Maxine Forman, Director, Research and Policy Analysis
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Women's Equity Action League
805 15th Street NW, Suite 822, Washington, DC 20005 (202) 638-1961

Social Security
Fact Sheet #2

WOMEN'S PROVISIONS IN THE SOCIAL SECURITY AMENDMENTS OF 1983

The 98th Congress passed legislation (H.R. 1900) with provisions of special concern to women. The legislation included modest provisions that would help small numbers of women, but no comprehensive reform was proposed to recognize marriage as a partnership or provide women with portable protection between their roles as homemakers and paid workers.

DIVORCED WIDOWS AND SPOUSES:

• Current Law:	Divorced surviving spouses who remarry after age 60 cannot continue to receive benefits; disabled widows and disabled divorced widows cannot continue to receive benefits if they remarry between ages 50-59.
New Legislation:	Continue benefits to disabled widows ages 50-59, disabled divorced widows ages 50-59, and divorced widows age 60 and over who remarry.
Effect on Women:	The remarriage rate for older women is very low, but this change will still help some women.
• Current Law:	An eligible divorced spouse may not collect her retirement benefit until her ex-husband retires and claims his.
New Legislation:	Allow a divorced spouse to collect her retirement benefit at age 62 even if her ex-husband has not claimed his.
Effect on Women:	This will help a woman older than her ex-husband or whose ex-husband continues to work. Unfortunately, this provision would not be effective until January 1985, and even worse, the divorced spouse must wait 2 years between the time of divorce and her eligibility to collect her benefits.
• Current Law:	Widow's benefits are indexed according to prices from the time of her husband's death until the time she receives the benefits. A widow who becomes eligible for benefits many years after the death of her husband often receives extremely low benefits because wages usually rise faster than prices.
New Legislation:	Index widow's benefits by increases in wages after the death of the worker, rather than in prices as under current law -- but only if a higher benefit results.
Effect on Women:	This provision is good for widows because in recent years prices have increased faster than wages, so it makes sense to index benefits to either price or wage increases -- whichever produces a higher benefit.
• Current Law:	A disabled widow receives 50% of her age 65 benefit at age 50.
New Legislation:	Increase from 50% to 71.5% the benefit a disabled widow ages 50-59 receives.
Effect on Women:	Although still not adequate, this change is especially helpful because it applies to all disabled widows -- both current and future beneficiaries.

PUBLIC PENSION OFFSET:

Current Law: After June 1983 spouses who become eligible for public pensions and also receive a Social Security spouse benefit will have their spouse benefit reduced dollar for dollar (100%) by the amount of their pension.

New Legislation: Beginning in July 1983, the public pension offset would reduce Social Security spouse benefits two dollars for every three dollars (two-thirds) of public pension received.

Effect on Women: Exempting only one-third of their public pension from the offset would still result in total reductions in spouse benefits for most women. Women still receive small public pensions and cannot afford to lose spouse benefits.

EARNINGS SHARING:

Current Law: The Social Security system does not treat marriage as an economic partnership and does not provide portable protection to women as homemakers and workers.

New Legislation: The Department of Health and Human Services is required to develop by July 1984 earnings sharing legislative proposals which include data on the implementation, costs, and the effect on Social Security beneficiaries of each proposal.

Effect on Women: This provision assures that earnings sharing receives serious attention from Congress and the Administration. Earnings sharing would regard marriage as an economic partnership where both the roles of homemaker and paid worker are recognized. The earnings sharing concept has been endorsed by the 1979 Advisory Council on Social Security, the 1980 President's Commission on Pension Policy, the 1980 Justice Department's Task Force on Sex Discrimination, and by major women's organizations.

THE FOLLOWING PROVISIONS WERE NOT PASSED; THEY WERE ELIMINATED DURING THE SENATE-HOUSE CONFERENCE.

DROP-OUT YEARS FOR CHILDCARE:

Current Law: Five years of zero or lowest earnings are dropped in averaging worker's annual earnings. For each year over five that a woman stays out of the labor force for homemaking responsibilities, a zero is averaged into her earnings record, reducing her Social Security benefit.

Proposal: Provide two additional drop out years for spouses who leave the workforce to care for children under 3 and who have no earnings during that time.

Effect on Women: This proposal would have helped some women who leave the workforce to care for children.

TRANSITION BENEFIT FOR WIDOWS:

Current Law: A non-disabled widow below age 60 with no children under age 16 is not entitled to Social Security benefits. The period before age 60 is known as the "widow's gap."

Proposal: Provide a six month transition benefit immediately after worker's death for widows ages 55-59 equal to the benefit a widow would receive at age 60.

Effect on Women: This benefit would have shortened the "widow's gap" by six months, providing Social Security to women while they seek training or employment.

FOR MORE INFORMATION ON SOCIAL SECURITY CONTACT: WEAL
805 15th St NW Suite 822
Washington D.C. 20005
(202) 638-1961

Maxine Forman, Director, Research and Policy Analysis
Written by Christine deVries

WEAL Facts

Women's Equity Action League
805 15th Street NW, Suite 822, Washington, DC 20005 (202) 638-1961

Social Security
Fact Sheet #3

SOCIAL SECURITY AMENDMENTS OF 1983: IMPACT OF FINANCING PROVISIONS ON WOMEN

The 98th Congress passed legislation (H.R. 1900) to ensure the solvency of the Social Security system based on the recommendations of the National Commission on Social Security Reform. Selected provisions and their effect on women follow:

UNIVERSAL COVERAGE:

Current Law: Federal employment is covered by the Civil Service Retirement System -- not by Social Security. Social Security participation is optional to state and local governments and non-profit organizations.

New Legislation: Mandatory Social Security coverage to newly hired federal employees and employees of non-profit organizations. Prohibits state and local governments from terminating employee Social Security coverage.

Effect on Women: Spouses, elderly survivors and divorced spouses receive better protection under Social Security than under public or private pension plans. The weighted formula will benefit women, the majority of whom earn low wages. Disability coverage under Social Security is better in many respects. Social Security's portability will cover those who move between non-profit, public and private employment.

COST OF LIVING ADJUSTMENT(COLA):

Current Law: Social Security provides a COLA when the Consumer Price Index (CPI) increases over 3% from the first quarter of one year to the first quarter of the next year.

New Legislation: Delay the COLA from June 1983 to January 1984.

Effect on Women: This change will greatly affect elderly women, most of whom have little or no income other than Social Security. For example, a six month COLA freeze at a 3.9% inflation rate would force widows to lose an average of $80 over the 6 month period. The 3% rule is waived for 1984 so that a COLA will be paid even if the CPI is less than 3%. This will offset some of the damaging effect.

SELF-EMPLOYED TAXATION:

Current Law: Self-employed individuals pay 75% of the combined employer/employee Social Security tax and 50% of the Medicare tax.

New Legislation: Increase self-employed taxes to equal 100% of all combined employer/employee taxes. Provides offsetting tax credits.

Effect on Women: These increases will burden women entrepreneurs, most of whom are low earners. But tax credits for all self-employed persons will reduce some of the self-employed tax actually paid.

TAXATION OF BENEFITS:

Current Law: Social Security benefits are not subject to taxation.

New Legislation: Tax Social Security benefits for recipients whose total income plus ½ of their Social Security benefits exceeds $25,000 for an individual and $32,000 for a married couple filing jointly.

Effect on Women: This change will not in general hurt elderly women, most of whom have very low incomes. But the amount of income on which couples will have to pay taxes penalizes some married people with 2 incomes

PAYROLL TAXES:

Current Law: Worker's annual earnings up to a limit of $35,700 are taxed for Social Security purposes at a 6.7% rate with a matching tax paid by the employer.

New Legislation: Accelerate payroll tax increases scheduled for the future so that the tax rate will be 7% in 1984 and 7.51% in 1988. Allow a tax credit for employees in 1984.

Effect on Women: Accelerating payroll tax increases results in even less disposable income for women and others who are low earners, but it preferable to benefit cuts.

RETIREMENT AGE:

Current Law: A retired worker receives a full Social Security benefit at age 65. Also, at age 65, a spouse receives 50% of her husband's benefit; a widow receives 100% of her deceased husband's benefit. If these benefits are claimed before age 65, they are reduced for life.

New Legislation: Raise the retirement age at which Social Security recipients can receive full benefits to 66 in 2009 and to 67 in 2027. Benefits will be reduced for recipients who retire at age 62 from 80% of the full benefit to 70%. Medicare eligibility will remain the same -- age 65.

Effect on Women: Raising the retirement age results in benefit cuts because workers, spouses, and widows who need to retire early would get even less than they do now. Seventy-nine percent of women workers and 81% of worker's spouses applied for reduced benefits in 1979 -- many because of ill health and inability to find employment. With less income, many older women will find it necessary to turn to welfare or seek employment in a workplace filled with sex and age discrimination.

WINDFALL BENEFITS:

Current Law: People who work for a short time in Social Security covered employment and the majority of their worklife in non-covered employment receive a relatively high Social Security benefit in proportion to earnings due to the weighted benefit formula devised to help low earners.

New Legislation: Eliminate the windfall portion of Social Security benefits by changing the benefit formula for persons with pensions. from non-covered employment.

Effect on Women: This change results in a benefit cut. A better proposal would have been to somehow exempt or protect individuals with low pensions so that the effect on women would be minimal.

STABILIZER:

Current Law: Social Security provides a COLA when the CPI increases over 3% from one year to the next year.

New Legislation: Beginning in 1988 when Social Security trust funds fall below 15% of annual benefit payments, the COLA would be based on increases in prices or wages -- whichever is lower. When the balance in the trust fund rise above 32% of annual benefits costs, recipients would receive catch-up payments.

Effect on Women: When prices rise faster than wages, basing the COLA on wages will burden older women trying to live on their small incomes.

FOR MORE INFORMATION ON SOCIAL SECURITY CONTACT:

WEAL
805 15th St NW Suite 822
Washington D.C. 20005
(202) 638-1961

Maxine Forman, Director, Research and Policy Analysis
Written by Christine deVries

WEAL Facts

Women's Equity Action League
805 15th Street NW, Suite 822, Washington, DC 20005 (202) 638-1961

Fact Sheet #4

SOCIAL SECURITY AND MINORITY WOMEN

Elderly[1] minority women[2] are the poorest of the nation's poor. Their poverty results from discrimination in education and employment, and a lifetime of low wages -- factors which contribute to low Social Security benefits. In addition, few elderly minority women have pensions or other retirement income to supplement their meager Social Security benefits.

Minority Women Experience a Lifetime of Low Wages and High Unemployment.

- While 40% of all elderly women are high school graduates, the percentage of elderly minority women who have completed high school is much lower. Only 16% of elderly Black women, 14% of elderly Native American women, 19% of elderly Asian women and 15% of elderly Hispanic women have completed high school.
- Minority women, except for Hispanic women, have a higher labor force participation rate than other women (49% for Hispanic women, 53% for Black women, 55% for Asian women as compared to 52% for all women). However, they are more vulnerable to job loss. The unemployment rate for minority women ages 20-64 was 14% in 1982 as compared to 7% for non-minority women.
- Black women's earnings in 1980 were $8043; Hispanic womens were $7465.
- Minority women are concentrated in low paying, high risk occupations where job tenure tends to be short.

Elderly Minority Women are Poor.

- The poverty rate for elderly Black women is 43.5% as compared to 32.3% for elderly Black men, 16.2% for elderly white women and 27.4% for elderly Hispanic women.
- 84% of elderly Black single[3] women live at or near the poverty level.[4]
- Minority women comprise 21% of elderly Supplemental Security Income (SSI)[5] recipients while minority men comprise 8%. 41% of elderly Black single women receive SSI. 25% of elderly Black women depend on SSI or other public assistance as their sole source of income.

Minority Women Receive the Lowest Social Security Benefits.

- 1979 data (the latest available from the Social Security Administration) reveal that the average monthly benefit for minority women workers was $230; for spouses, $105; and for widows, $206. White women workers averaged $260, spouses $145; and widows, $274. Average monthly benefits for Black women -- $192 -- were lower than average benefits for other minority women.

As Low as these Benefits are, Minority Women Depend on them as their Main Source of Income.

- 30% of Black single elderly women depend on Social Security for 100% of their income and 86% of Black single elderly women depend on Social Security for 50% or more of their income.
- Only 4% of elderly Black women receive private pensions; 7% receive public pensions.
- 9.1% of all elderly minority women are in the workforce (8.5% Native American women, 12% Asian women, 10% Black women). In 1981, the average annual income (earnings, interest, pensions, and Social Security) for elderly Black women was $4216; average earnings were only $3193. For all elderly women, the average income was $6559 as compared to $11, 720 for all elderly men.

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[1] Elderly denotes 65 years and older.
[2] Minority denotes Black, Hispanic, Native American and Asian or "women of color."
[3] Single means never-married, widowed, separated or divorced.
[4] Poverty level is $4359/year; near poverty is $5449/year.
[5] A form of welfare for the poorest elderly, blind, and disabled.

LITTLE KNOWN FACTS ABOUT MINORITY WOMEN AND SOCIAL SECURITY

- Elderly minority women are less likely than elderly white women to receive Social Security because prior to 1954 domestic workers were not covered. Even now there is no guarantee that a domestic employer will pay Social Security taxes.

- Minority widows are more likely than white widows to collect benefits based on their own wage record. A greater percentage of white widows collect Social Security benefits based on their eligibility as a spouse.

- Disablity benefits are received by a large number of minority women who have diabetes, hypertension, strokes and heart disease, conditions associated with poverty and occupational hazards.

- Elderly Black women are more likely than elderly white women to have grandchildren in their households and therefore collect a large number of benefits slated for widowed mothers.

RECENT LEGISLATIVE CHANGES HURT MINORITY WOMEN

Social Security Changes in the 1981 Budget Act

-Termination of the parent's benefit when the youngest child reaches 16 years of age (previously 18) affects minority women, who received 23.5% of widowed mothers benefits in 1979. This provision lengthens the time that widows must be without Social Security until eligibility for aged widow's benefits at age 60.

-Elimination of the minimum benefit for future recipients hurt minority women. The $122 minimum benefit was awarded to workers who would receive less if the benefit were based on employment records. Minority women were eligible for the minimum benefit because they worked as uncovered domestic workers and/or at low paid employment. Now their benefit will be based solely on their wage record -- no matter how low.

-Phasing out of student benefits by September 1985 for children (18-22 years) of retired, disabled, or deceased workers. Minority widows and grandmothers raising children will have the additional expense of educating their college age children. In 1979, 22% of benefits to students (18-22 years) went to minorities.

-In addition to the above changes, funds for Supplemental Security Income, Medicaid, Food Stamps, Low Income Housing, and Low Income Energy Assistance were frozen or reduced. Many minority women depend on these programs to survive.

1983 Social Security Amendments Effect On Minority Women

The 98th Congress passed legislation to ensure the solvency of the Social Security System. Two provisions are particularly harmful to elderly minority women.

-Gradually raise the age at which Social Security recipients receive full benefits to 67 by the year 2027. Further reductions for taking a benefit at age 62 will affect minority women, who often need to retire early because of physically demanding occupations.

-Delay the cost of living adjustment (COLA) that Social Security provides when the Consumer Price Index (CPI) increases over 3% from one year to the next. This will reduce the already low benefits that elderly minority women receive. Minority women not poor enough for SSI eligibility and with little or no income in addition to Social Security will be hurt most by this provision.

FOR MORE INFORMATION ON SOCIAL SECURITY AND WOMEN CONTACT:

Women's Equity Action League
805 15th St. NW Suite 822
Washington D.C. 20005
(202) 638-1968

Maxine Forman, Director, Research and Policy Analysis
Researched and Written by Christine deVries

WEAL
Women's Equity Action League

805 15th Street, N.W., Suite 822
Washington, D.C. 20005
202/638-1961

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Ms. Oakar. Thank you very much, Maxine, and perhaps at this time, since you mentioned so many other inequities besides the earnings sharing approach, I will submit all of the eight bills that I have introduced related to some of the issues that you have raised for the record. We are focusing more on earnings sharing, but, as you mentioned, there are other areas that we ought to be addressing also. So, let me submit a brief summary of each of the other eight bills for the record at this point.

[The summary of the bills introduced by Representative Oakar follows:]

Social Security Reform Legislation Introduced by Congresswoman Mary Rose Oakar

H.R. 2742 MANDATORY EARNINGS SHARING

The combined earnings of a husband and wife during their marriage would be divided equally between them in order to determine their eligibility and amount of Old Age Benefits they receive under Social Security. If the individual and his/her spouse's benefits combined would be greater without the application of earnings sharing, it shall not apply. This guarantee would remain in effect through 2009. It would not affect children's benefits. A full-scale earnings sharing system will be implemented by 2010 contingent upon periodic Congressional assessments.

H.R. 2744 INHERITANCE OF EARNINGS CREDITS BY SURVIVING SPOUSES OR SURVIVING DIVORCED SPOUSES

If a couple had been married for three continuous years prior to death or divorce, the surviving spouse or surviving, divorced spouse will "inherit" the deceased's earnings credits. Disabled worker benefits may be paid at any age to disabled individuals based on his/her records as altered by inheritance. But, disabled widow(er)s who gain disability through inheritance must only meet the survivor disability test. The bill contains a present-law guarantee that, if the benefits of a widow(er) would be greater without the application of credit inheritance, it shall not apply. The present-law guarantee provision will terminate by 2010. Children's benefits will be based on the work record of the deceased.

H.R. 2739 CREDIT SPLITTING AT DIVORCE

Credit splitting at divorce will make earnings sharing mandatory upon application by either party following a divorce if the marriage lasted at least three years. The Social Security earnings credits received in the years of marriage by both spouses would be added together and each spouse would be credited with half to the combined total. Earnings credits from years before or after the marriage would be unaffected. Thus, divorced homemakers or secondary earners could gain entitlement to benefits as retired workers. Credits gained as a result of credit-splitting could be used to gain entitlement to disability benefits. In those cases where combined benefits of both spouses would be higher under present law, credit splitting would not apply.

H.R. 2745 TRANSITION BENEFITS

Benefits would be given to the survivor of an insured individual upon the wage earner's death if the surviving spouse is at least 50 years old and not otherwise immediately eligible for benefits. The benefits would be available only for the month in which the death occurred and for the next three months. The benefits would be 71.5 percent of the wage earner's primary insurance amount (PIA), or if the spouse's own primary insurance amount is higher, 71.5 percent of that amount.

H.R. 2743 DISABLED WIDOW(ER)S UNDER SIXTY

Under the present law, disabled surviving spouses are eligible for benefits at an actuarially reduced rate beginning at age 50, based on the deceased worker's primary insurance amount (PIA). This bill would make disabled surviving spouses eligible for benefits at any age and with no restrictions.

H.R. 2741 CHILDCARE CREDIT

The Special Minimum benefit for long-term low wage earners would be amended to allow childcare credits to be counted in the determination of benefits. (The Special Minimum benefit only applies to long-term low wage earners whose payments would be low if computed by another method.) A benefit earner could be credited with up to 10 years for the care of any children six years old or younger with the stipulation that the applicant's care lasted at least 6 months out of the year. (For example: a person who was caring for a 6 year old for 6 years would only be entitled to 6 years of credit; however, if the applicant was caring for other younger children, he/she could use the time and credit up to 10 years of childcare time.) The number of years that could be counted toward Special Minimum benefit would be increased from 30 to 36.

H.R. 2738 RESTORATION OF THE MINIMUM SOCIAL SECURITY BENEFIT

As a result of a provision contained in the Omnibus Budget Reconciliation Act of 1981 (section 2201), Minimum Social Security Benefits were eliminated for those persons who would have been otherwise eligible after January 1982. Minimum benefits were awarded to workers who would receive a lesser amount of low earnings record or short-term work. Of the 3 million currently receiving the $122 monthly payments, 2.3 million are women. This bill will restore the benefit to those needy people beginning with the date of enactment of the Omnibus Budget Reconciliation Act of 1981.

H.R. 2740 ELIMINATION OF THE GOVERNMENT PENSION OFFSET PROVISION

Under the Social Security Amendments of 1977, a government pension offset provision was established which reduced dollar-for-dollar the amount of Social Security spouse benefits by the amount of that spouse's public (local, state or federal) pension. The exemption clauses for women recipients proved ineffective. Last Congress the law was amended so that both male and female spouses eligible for both benefits were exempt from the offset if they could prove dependency under Social Security regulation. The exemption clause became invalid in July, 1983. Beginning in July, 1985, those who are eligible to retire from public service will have their Social Security spousal benefits reduced by ⅔ of the amount of the public pension. This bill will eliminate the Government Pension Offset Provision completely.

H.R. 1045 REMOVE SOCIAL SECURITY FROM UNIFIED BUDGET

By removing the Social Security trust funds from the unified budget, the Social Security program would no longer by viewed as part of other federal expenditures which are funded by general tax revenues. As a separate entity, the Social Security program would not be subject to other budgetary considerations.

Ms. **OAKAR**. Alice, we are very happy to have you represent the fine Older Women's League. We would be glad to have your entire statement and a summary. We are running under a little time problem because of legislation that is on the floor and the votes that we are anticipating so if you could hit on the high points as well as Judy, we would appreciate and we will take your entire statement for the record.

STATEMENT OF ALICE QUINLAN

Ms. **QUINLAN**. I will do that.

Thank you, Madam Chair and members of the Task Force on Women and Social Security. Good morning. I am Alice Quinlan, Government relations director for the Older Women's League.

We are very pleased to be able to share our views on women and social security since there is no issue that is of greater concern to women in their retirement years than the retirement income issue. Social security is this country's most important social program; it is a family support system insuring against the loss of income through the death or disability of wage earners and has significantly reduced poverty among the elderly.

Social security is a lifeline for women. The majority of older women alone have no other significant source of income. Less than 20 percent, for instance, of current older women receive any pension benefits at all. In old age, women are likely, therefore, to end up alone and near or in poverty, yet they must stretch lower incomes over a longer lifetime than men. No wonder women's advocates and older women themselves ask why there are such differences in the incomes of men and women when they reach their later years and why most of the elderly poor are women.

No wonder social security has come under our scrutiny along with other issues, directly or indirectly related to retirement income, such as public and private pension policy, the combined impact of age and sex discrimination in the workplace, the economic consequences of divorce for women, the devaluing of women's work—whether that work is done inside or outside the home—pay equity and a wide range of related topics.

Our concerns have a very clear bottom line and it is improving the economic status of women. Social security, like the private pension system, can and must be improved to take into account the differing life experiences of men and women and the social changes that have occurred since the system was established in the 1930's.

As you know, social security is based on an earnings replacement concept that assumes that men were the sole breadwinners and most women were their nonworking, nonearning dependents. The system worked best for single-earner couples in lifelong marriages in which the wife did not outlive the husband by many years.

Certainly, if most families fit those criteria in the past—and I am not so sure they did even in the past—they certainly don't fit that criteria today, as we have already heard earlier this morning.

Those who claim that discussions of equity for women under social security are some sort of a feminist ploy to undercut the role of homemaker or to force all women into paid employment, seem to be living in an ideal world that is strangely free of both divorce and widowhood. Seldom will you hear them mention what happens to the long-time homemaker who is divorced in her later years. Both the inadequacy of her retirement benefits, which are 50 percent of her former husband's benefits, and the inequity of having to wait until he retired before she could begin receiving that benefit. As you know, as a result of the 1983 amendments, divorced, dependent spouses will be independently eligible for retirement benefits, but that won't begin until 1985.

Nor would you hear about the widowed homemaker—and the average age of widowhood is 56. How does a widowed homemaker support herself during the widow's gap, that period of time when she is no longer eligible for in-her-care benefits, but is not yet eligible for retirement benefits. It is a gap, incidentally, as you know, that has been lengthened at both ends with recent changes in legislation, with the age of in-her-care children dropping back to age 16 and with the social security amendments of this past spring, the age of retirement with full benefits to age 67, with a corresponding increase in penalties for early retirement. Certainly, as this example illustrates, not all of the recent changes have been helpful to women, including the dropping of minimum benefits and of student benefits.

Earnings sharing is one of the ideas that has evolved as one of the most promising means of restructuring social security to address these problems that homemakers and women in two-earner couples face. It refers, of course, to proposals that for social security benefit purposes, the earnings of a couple be divided equally between them during their marriage.

Earnings sharing isn't a new idea. Legislation calling for earnings sharing under social security was first introduced back in Congress in 1975. Since then, a variety of governmental and private groups have studied and reported on the idea, and bills such as you, Ms. Oakar, yourself have introduced, are regularly introduced in Congress.

As Members of this body know, the Social Security Amendments of 1983 mandate the development of plans to implement earnings sharing. What is called for here is not just another study—we have had plenty of those—but rather specific plans for making social security more equitable for women. The amendments require that the report should include how and when to implement earnings sharing, what the changes will cost and how to protect various categories of beneficiaries as the transition takes place. The report can then be used as the basis for legislation.

The Older Women's League philosophy of earnings sharing rests on the fundamental principle that equity and adequacy for women under social security is a realizable goal. We believe that the appropriate approach to earnings sharing must be a comprehensive and not a piecemeal one. Such an approach would treat the family as an economic unit, would direct equal concern to two-earner couples, widows, divorced women, homemakers, survivors, and other beneficiaries, and would include consideration of inheritance of credits, credit splitting upon divorce and other variations of the basic earnings sharing definition.

We recognize, and I was delighted to hear Senator Dole say that he, too, recognizes that such a comprehensive approach will not come without some monetary costs to the system. We believe that a zero net cost plan is unacceptable because it would be economically harmful to many women in the name of equity to others.

Changes in social security must insure that family protections remain strong upon the death of workers. Concern for working women must include consideration of the fact that their contributions into social security frequently yield them no higher retirement benefits than if they had been employed, although, of course, they are covered with disability protection and their families have survivor benefit protection.

Concern for homemakers must include consideration of homemaker disability, childcare dropout years and transition benefits for widows. Finally, appropriate phase-in and hold harmless provisions will also be needed.

The Older Women's League has just completed the formation of a citizen's advocacy group to monitor the development of the earnings sharing plan that will be developed by Health and Human Services. The Citizens' Council on Earnings Sharing will be a watchdog and a catalyst to insure that a comprehensive report is developed in a timely fashion.

In conclusion, we have had 10 years of studies, proposals, reports, paper, platitudes. Now that the social security system has been placed on a sound financial basis, it is time seriously to address women's concerns and to effect the necessary changes.

We are certainly grateful to you, Congresswoman Oakar, for your leadership on this issue and we urge all of you to see that, indeed, the kinds of changes that are needed in social security are brought about.

[The prepared statement of Ms. Quinlan follows:]

PREPARED STATEMENT OF ALICE QUINLAN, GOVERNMENT RELATIONS DIRECTOR, OLDER WOMEN'S LEAGUE

Madam Chair, members of the Task Force on Women and Social Security, good morning. I am Alice Quinlan, Government Relations Director of the Older Women's League. We appreciate this opportunity to share our views on women and social security, since it is an issue of such critical importance to our members. The Older Women's League was formed following the White House Mini-Conference on Older Women in 1980, and now has more than 7,000 members and chartered chapters in 30 States. Through education, research and advocacy, we work for changes in public policy to eliminate the inequities women face in their later years.

Of all the issues women face in their retirement years—among them health, housing, widowhood, and long-term health care needs—none is more critically important than retirement income. Although income security in old age is theoretically sustained by social security, pensions and savings, women depend primarily on social security, and as a last resort, supplemental security income.

Social security is this country's most important social program. It has served as a family support system, insuring against the loss of income through the death or disability of wage earners, and it has significantly reduced poverty among the elderly.

But "the elderly" are not a homogeneous group. Some are well off, and others are poor; some enjoy excellent health, while others suffer from multiple problems that force early retirement; some live with spouses, while others live alone or with other family members. One demographic factor provides important insights into the life circumstances of the elderly, however, and that factor is gender. On the whole, men and women in the United States experience aging very differently. The most important differences—in longevity, income, and marital status—have an important relationship to social security.

As of July 1982, there were 26.8 million persons in the United States who were age 65 or over, including about 10.8 million men and 16 million women. Thus women make up the majority (60 percent) of those over 65. Because of differences in longevity, women outnumber men two to one in the older age categories. There is no significant difference between the proportions of men and women over age 65 who are divorced, separated, or never married, but there are profound differences among the widowed and married. While about three-fourths of all men over age 65 are married and living with a spouse, only a little more than a third of older women are in similar circumstances. Men are twice as likely to be married as women are, while women are four times more likely to be widowed. (In 1981, 85 percent of all surviving spouses over age 65 were women). The result in absolute numbers means many more older women than men live alone. In 1981, about 7.5 million elderly lived alone, of whom 6 million (80 percent) were women.

It is important to keep this demographic information in mind when examining data about income and poverty among the elderly. At any adult age, there are dramatic differences between the incomes of men and women. For those over age 65, the median total money income in 1981 was $8,173 for men and $4,757 for women. (Thus women have median annual incomes within $400 of the poverty level for a person living along—$4,359). When data on income and poverty is shown by race/Spanish origin, the special vulnerability of older minority women is very evident. Black women are five times more likely to live in poverty in old age than white men are. And overall, women make up a disproportionate (73 percent) share of the aged poor.

These figures have been noted to point out how critically important social security is to women. In old age, women are likely to end up alone, and near or in poverty. Yet they must stretch lower incomes over a longer lifetime than men. No wonder that women's advocates and older women themselves ask why there are such differences in the incomes of men and women when they reach their later years, and why most old poor people are women. No wonder social security has come under our scrutiny, along with other issues directly or indirectly related to retirement income: public and private pension policy, the combined impact of age and sex discrimination in the workplace, the economic consequences of divorce for women, the devaluing of women's work, pay equity and comparable worth, and an array of related topics. Our concerns have a clear bottom line: improving the economic status of women.

Social security is a lifeline for women. The majority of older women alone, for example, have no other source of significant income; less than 20 percent of all older women currently receive any pension benefits, whether as spouses or as vested employees. But social security, like the private pension system, can and must be improved to take into account the differing life experiences of men and women, and the social changes that have occurred since the system was established in the 1930's. At that time, Social Security was based on an earnings replacement concept that put men in the role of sole breadwinner, and most women in the role of their "nonworking," non-earning dependents. The system worked best for single-earner couples in life-long marriages in which the wife did not outlive the husband by many years.

If most families fit those criteria in the past, they certainly don't today. Half of all adult women are in the paid labor force, more than one in three marriages today end in divorce, and women increasingly live longer and outlive men. The results for women are inequities and inadequacies that often add up to a retirement income crisis. Aged widows have inadequately low benefits, women in two-earner couples realize little increase in retirement benefits from their social security taxes, and divorced homemakers are frequently left in precarious financial circumstances.

For at least 10 years, ideas have been put forward on how to modify the social security system to take into account the current roles of men and women in our society. It is interesting to note that the very first published report of the then-new House Select Committee on Aging in 1975, entitled "Income Security for Older Women: Path to Equality," resulted in part from hearings on "Social Security Inequities Against Women," and addressed such problems as the widow's gap, the need for individually maintained social security earnings records for homemakers, and the benefit inequities between one and two earner couples.

Reports and hearings, Commissions and Councils have examined these and related problems over the years. In 1977, the Congressional Research Service could describe as "perennial" certain proposals it believed would be "reintroduced into this and future sessions of Congress ("Social Security: Some Perennial Legislative Issues", 77-81 ED). Among those discussed were OASDI coverage for homemakers, combined earnings options for couples, elimination of differential treatment based on sex, reduction in duration of marriage requirements for divorced spouses, lowering the age at which benefits are payable to widows, and elimination of the recency of work requirement for disability insurance benefits.

"Earnings sharing" is one of the ideas that has evolved as a promising means of restructuring social security to address the problems women face. Earnings sharing refers to proposals that for social security benefit purposes, the earnings of a couple be divided equally between them during their marriage. Under the current system, workers are treated as individuals for the purpose of building an earnings record, but are seen as part of a family unit with "dependents" for the purpose of paying benefits. Earnings sharing would treat the family as a unit in both the building of eligibility records and in the payment of benefits under social security. Earnings sharing would treat marriage as an economic partnership to which both members of a couple contribute, whether in the paid labor force or caring for family members. It would substitute a more realistic model of marriage for the outmoded worker-dependent model now used.

How would earnings sharing work? Throughout their married life, the earnings of a couple would be pooled, with equal shares credited to the social security records of each spouse. This would have several important results.

Since the married couple would be treated as an economic unit, a full-time homemaker would accumulate social security credits for the time she spends in child rearing and caring for family members. Under the present system, the 5 years of lowest or no earnings are dropped before a worker's retirement benefits are calculated. But many women spend more than 5 years out of the paid labor force, and their unpaid labor in the home counts for nothing under social security.

Under earnings sharing, should the marriage end in divorce, the homemaker would have half of the couple's social security credits accumulated during the period of their marriage.

By combining and then equally dividing the earnings of both members of a two-earner couple, women in the paid labor force will get a more equitable retirement benefit return on their contributions to social security. Millions of women are entitled to collect benefits either as dependent spouses or on their own employment record, in effect, whichever is greater. Because of occupational segregation, pay inequities, and differences in employment patterns, many women collect higher benefits as dependents, which means they receive no greater retirement benefits than if they had not been in the paid labor force. (They do have disability and survivor benefit coverage, family protections that homemakers do not have).

Earnings sharing might be implemented in a number of ways, with different effects on sub-groups of social security recipients, such as survivors, dependent children, widowed and divorced persons, retired couples, longtime homemakers. The impact of earnings sharing on current or future beneficiaries would depend on a number of questions, such as these:

When will earnings sharing begin to take effect?

What kind of phase-in and transitions will be provided?

Will earnings sharing be optional or mandatory?

Will credits be shared only upon divorce? Will credits be inherited by one spouse upon the death of the other?

How will survivor and homemaker disability benefits be handled?

Will the benefits of some be increased by reducing the benefits of others?

Earnings sharing is not a new idea. Legislation calling for earnings sharing under social security was first introduced by former Congressman Donald Fraser (D-Minn.) in 1975. Since that time, a variety of governmental and private groups have studied and reported on the idea, and bills are regularly introduced. We are grateful to you, Congresswoman Oakar, for your continued interest and support, both in the legislation you have sponsored, and in the attention directed to this issue by the Task Force on Social Security and Women.

As members of this body know, the Social Security Amendments of 1983 mandate the development of plans to implement earnings sharing. The Secretary of Health and Human Services, in consultation with the Senate Finance and the House Ways and Means Committees, is to complete its report on earnings sharing by July 1984. The following month, the Congressional Budget Office will analyze the report, which can then be used as the basis for legislation on earnings sharing. What is called for here is not just another study, but rather specific plans for making social security more equitable for women. The amendments require that the report include how and when to implement earnings sharing, what changes will cost, and how to protect various categories of beneficiaries as the transition takes place.

The Older Women's League has just completed the formation of a citizen advocacy group to monitor the development of the earnings sharing plans. The Citizen's Council on Earnings Sharing will be a watchdog and a catalyst to insure that a comprehensive report is developed in a timely fashion. We have had 10 years of studies, proposals, reports, paper, and platitudes. Now that the social security system has been placed on a sound financial basis, it is time seriously to address women's concerns and to effect needed changes. The Older Women's League believes that in developing plans to implement earnings sharing, it is possible to balance the need for equity and the need for adequate benefits. Social security can—indeed, must—be improved. We urge you to see that it is.

TABLE 1.—SELECTED DATA ON PERSONS AGE-PLUS: INCOME, POVERTY, MARITAL STATUS

[Total money income in 1981, by sex and age]

Age	Men	Women
45 to 49	$21,248	$7,494
50 to 54	20,796	6,513
55 to 59	19,879	5,926
60 to 64	14,807	4,966
65 plus	8,173	4,757

Note: Poverty level in 1981 for a person living alone: $4,359.

Source: Census Bureau, Current Population Reports P-60, No. 134, table 10.

TABLE 2.—POVERTY RATES BY SEX AND RACE/SPANISH ORIGIN FOR PERSONS AGE 65 OR OVER IN 1981

[In percent]

	Total	White	Black	Spanish origin
Men	10.5	9.0	32.3	23.6
Women	18.6	16.2	43.5	27.4

Note: Poverty rate in 1981 for persons 65-plus 15.3.

TABLE 3.—NUMBERS OF PERSONS AGE 65 OR OVER IN POVERTY IN 1981, BY SEX AND RACE/SPANISH ORIGIN

	Total	White	Black	Spanish origin
Men	1,080,000	787,000	272,000	60,000
Women	2,773,000	2,191,000	547,000	86,000

Source: P-60, No. 134, table 17.

TABLE 4.—MARITAL STATUS OF PERSONS 65 PLUS IN 1981, BY SEX

[In percent]

Status	Men	Women
Married	77	38
Widowed	13	51
Separated/divorced	6	5
Never married	4	6

TABLE 5.—MARITAL STATUS OF PERSONS OVER 65, BY SEX AND AGE

[In percent]

	Widowed		Married	
	65 to 74	75-plus	65 to 74	75-plus
Men	8	22	81	70
Women	40	68	48	22

Source: P-20, No. 372, tables 1 and E. Prepared by: Older Women's League, 1325 G St. NW., LL B, Washington, D.C. 20005.

EARNINGS SHARING—A SELECTED CHRONOLOGY

1975: House Aging Committee hearings: "Social Security Inequities Against Women"—Senate Aging Committee working paper: "Women and Social Security: Adapting to a New Era."

1976: Earnings sharing legislation introduced by Representative Donald Fraser (D-Minn.)—National Commission on the Observance of International Women's Year recommends homemakers be covered under Social Security in their own right.

1977: Earnings sharing legislation introduced by Representative Martha Keys (D-Kans.) and 60 cosponsors—National Women's Conference in Houston recommends earnings sharing—HEW Secretary Joseph Califano appoints HEW Task Force on the Treatment of Women under Social Security—Social Security Amendments of 1977 (PL 95-216): Congress mandates a study of proposals to eliminate dependency as a factor in entitlement to spouse benefits and to eliminate sex discrimination under Social Security—Department of Justice Task Force on Sex Discrimination studying women and Social Security.

1979: HEW study released: "Social Security and the Changing Roles of Men and Women," with extensive discussion of earnings sharing—1979 Advisory Council on Social Security report contains positive recommendations on earnings sharing—

Ways and Means Committee hearings: "Treatment of Men and Women under the Social Security Program".

1980: HEW, Social Security Advisory Council's Interim Recommendations on the Treatment of Women.

1981: National Commission on Social Security report, "Social Security in America's Future" is "sympathetic to the philosophy" but does not recommend earnings sharing because it might be harmful to some, or could cost too much—President's Commission on Pension Policy report, "Coming of Age: Toward a National Retirement Income Policy" recommends earnings sharing at divorce, and inheritance of credits for surviving spouses of two-earner couples—House Aging Committee hearings: "Treatment of Women Under Social Security." Earnings sharing legislation reintroduced by Senator Alan Cranston (D-Cal.) and Representative Mary Rose Oakar (D-Ohio).

1983: National Commission on Social Security Reform; minority report favors the further development of earnings sharing concepts—Social Security Amendments of 1983—mandates the development of implementation plans for earnings sharing.

Ms. OAKAR. Thank you very much, Alice. Judy?

STATEMENT OF JUDY SCHUB

Ms. OAKAR. I hope you don't mind me calling you by your first names, but I know you so well.

Ms. SCHUB. Not at all.

Good morning. I am Judy Schub, the director of public policy for the National Federation of Business and Professional Women's Clubs, now known as BPW/USA. The good thing about going last on a panel is you can cross out whole sections of your statement because it has already been said as well as we could say it.

BPW/USA was founded in 1919 to improve the status of women in the work force and today we have a membership of over 150,000 men and women throughout the United States with at least one local organization in each congressional district.

We have long been concerned about the treatment of women under the social security system. In fact, we first expressed this concern back in 1949. It is not a new issue. Poverty among older women is, as you have heard throughout the morning, a pervasive problem. The poverty rate for older women is 60 percent higher than for elderly men.

This poverty reflects women's dependence on social security. For many reasons, most women never receive any pension benefit from their years in the labor force, even when they spend all or most of their adult lives in the labor force. Sixty percent of all women over the age of 65 have social security as their only source of income.

The social security system no longer meets the needs of either working women or homemakers and most women fulfill those roles at some point in their lives. Because BPW/USA is an organization representing employed women, our statement will concentrate specifically on those inequities which affect employed women.

Specifically, married working women receive little or no additional retirement benefit for themselves or their families from the social security taxes they pay. Their worker's benefit almost always duplicates the benefits to which they are entitled as dependents. The system is heavily weighted toward the single-earner couple in which only one spouse works at the expense of the two-earner couple and single persons.

The two-earner couple often receives a lower retirement benefit than the one-earner couple, even when the couples paid the same amount into the system. This bias toward single-earner couples extends to survivor benefits. Women who work generally accrue lower social security benefits than men because their wages, are, on average much lower than men's wages and because their careers are interrupted for traditional family responsibilities such as child rearing or other dependent care.

Each year out of the labor force over 5 is counted as zero when computing their average lifetime earnings for social security. An estimate in 1975 by the Monthly Labor Review was that caring for one child, a woman could expect to have her worklife cut by 10 years, and for each additional child, an additional 2 to 3 years.

In today's economy we suspect women are not spending quite that much time out of the labor force, but we do suspect that for the average family a woman spends more than 5 years out of the labor force, just for raising children and that does not include the care of elderly dependents.

Divorced women, even those who work for significant amounts of time fare badly under social security. You have heard that if a marriage dissolves before 10 years the woman who did not work outside the home is entitled to no social security credits from her spouse. After 10 years of marriage, a divorced spouse is entitled to 50 percent of the worker benefit, an amount which, when you think about it, is usually inadequate to support the individual. The divorced spouse cannot supplement this benefit based on her own earnings, either prior to or following the marriage.

BPW firmly supports the concept of earnings sharing because its underlying principle is that marriage is a partnership and that the family is a basic economic as well as social unit. Under earnings sharing, quarters of social security coverage would be shared equally between spouses for each year of marriage. Each individual would be entitled to a primary benefit in her or his own right, consisting of a person's earnings while unmarried, and half of a couple's combined earnings while married.

My colleagues have gone into many of the positive effects of earnings sharing, which I will not repeat. They are in our statement.

Ms. OAKAR. We will submit your entire statement for the record, Judy.

Ms. SCHUB. Full implementation of earnings sharing is a long-range solution to equity problems. It is clear that earnings sharing cannot be fully implemented until after the year 2000. Therefore, we also urge this group and other committees to consider appropriate transitional measures which address the immediate concerns and needs of millions of women.

As changes are proposed in the social security system, the question of how these changes will be financed must be asked. There are no easy answers. We recognize that the implementation of earnings sharing and other proposals may add costs to the system.

We have all heard about several studies now going on which will examine the impact of earnings sharing on affected groups and the possible costs. We can only hope that the studies will be careful and realistic in the assumptions they make so that their conclusions can be used in fashioning sound public policy.

Clearly, the American people are concerned about poverty among the elderly. In a 1981 national study of public attitudes conducted for the American Council of Life Insurance, more than two-thirds of the people surveyed indicated that Government spending on programs to support the elderly should be increased.

This same survey found that over half, 55 percent of the respondents, believed that Government support of social security should be increased. The survey taken 2 years before the passage of the 1983 Social Security Amendments showed deep concern about the future of Social Security, with 57 percent of the respondents expressing a lack of confidence in the system.

While the 1983 amendments may have addressed some of the expressed concerns, BPW/USA believes that the continuing inequities in the system contribute to this lack of confidence. The inequities must be addressed in a responsible manner, but the excuse that it is too expensive to right the wrongs must no longer be tolerated.

While the proposals discussed in this statement may need refinement, we must not indefinitely delay action.

[The prepared statement of Ms. Schub follows:]

STATEMENT OF JUDY SCHUB, DIRECTOR OF PUBLIC POLICY, THE NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC. (BPW/USA)

The National Federation of Business and Professional Women's Clubs, Inc. [BPW USA] was founded in 1919 to improve the status of women in the work force. Today, BPW USA has a membership of over 150,000 women and men, living in all 50 States and the District of Columbia, Puerto Rico, and the Virgin Islands. There are over 3,500 BPW local organizations across the nation, with at least one organization in every Congressional District in the United States. Since its establishment over 64 years ago, the objectives of the BPW USA have remained the same: to elevate the living standards and promote the interests of women in business and the professions, and to promote full participation, equity and economic self-sufficiency for working women.

BPW USA has long been concerned with the inequitable treatment of women under the social security system. In 1949, BPW USA adopted an item in its legislative platform urging reform of the system to better meet the needs of working women. While the 1983 Social Security Amendments included benefit changes for some survivors and divorced women, these changes are only the first step to making the system more responsive to the needs of women.

Recently, the social security system has come under close scrutiny for its treatment of women. Most agree that the system fails American women both in terms of adequacy of protection and equity. The shortcomings of the system are not the result of overt discrimination; rather they arise from the assumptions upon which the system is based. These assumptions—that men provide the family income; that women are primarily homemakers whose labor force participation is minimal; that family responsibilities, such as child care and homemaking have no economic value; and that marriages are permanent—were only partially true when the system was established and certainly do not reflect current realities for American women and the American family.

Poverty for older women is a pervasive problem. The poverty rate for older women is 60 percent higher than for elderly men. In 1981, the average total income for men over the age of 65 was $8,123 per year, while for women it was only $4,757. The poverty of older women reflects their dependence on social security. For many reasons, most women never receive any private pension benefits even when they spend many years in the work force. And even if the working woman does receive a private pension, it is likely to be smaller than a man's; in 1981 the average pension received by a woman was only 58 percent of the average man's pension. Sixty percent of all woman over the age of 65 depend on social security as their only source of income. And the average woman's benefit is only 76 percent of the average man's benefit. (In April 1982, the average social security benefit for men was $443 and $335 for women.)

The social security system no longer meets the needs of either working women or homemakers. Because BPW USA is an organization representing employed women, our statement today will primarily address those issues which affect women who spend a substantial part of their adult lives in the paid labor force. The number of women who work outside the home is increasing every year. Women constitute 43 percent of the paid labor force. Over half (51 percent) of all married women were working in 1981, an increase of more than 30 percent over 1970. Two-thirds of all women in the labor force in 1982 were single, widowed, divorced or separated or had husbands who earned less than $15,000 a year. These millions of American women and their families are being shortchanged by the social security system.

Specific inequities in the system are as follows:

1. Married working women generally receive little or no additional retirement benefit for themselves or their families from the social security taxes they pay. Their workers' benefits duplicate the benefits to which they are entitled to as a "dependent."

2. The system is heavily weighted toward single-earner couples in which only one spouse works, at the expense of two-earner couples and single persons. The two-earner couple often receives a lower retirement benefit than the one-earner couple, even when the couples paid the same amount into the social security system.

3. This bias toward single-earner couples extends to survivor benefits. The surviror of a two-earner couple often receives a lower benefit from social security than the survivor of a one-earner couple, even when the couples' total average incomes were the same.

4. Women who work generally accrue lower social security benefits than men because their wages are, on average, much lower than men's wages (59 cents of every dollar earned by men) and because their careers are interrupted by traditional family responsibilities such as child rearing. Each year out of the labor force (over five) is counted as zero when computing their average lifetime earnings for social security. In essence, the social security system is *not* neutral with respect to child-bearing and other dependent care; any woman who leaves the work force for more than 5 years is penalized.

5. Divorced women, even those who work for significant amounts of time, fare badly under social security. If a marriage dissolves before 10 years, the woman who did not work outside the home is entitled to no social security credits from her spouse. After 10 years of marriage, a divorced spouse is entitled to 50 percent of the worker's benefit, an amount often extremely inadequate to support a person living alone. While the 1983 Social Security Amendments provide for the payments of benefits to eligible, divorced spouses at 62 whether or not the former spouse has retired, the divorced spouse cannot supplement this benefit based on her own earnings, since she can only receive the higher of the two benefits. Her early contributions to the social security system (during years prior to marriage and child bearing) combined with later earnings after the marriage has ended may still not equal the 50-percent benefit, since each year out of the labor force (over 5) is averaged in as zero. This example holds true particularly for the woman whose ex-husband is in a high-paying occupation, but who, because of an interrupted work record, limited work experience and occupational segregation, holds a low paying job.

BPW USA firmly supports the concept of earnings sharing because its underlying principles are that marriage is a partnership and the family is a basic economic, as well as, social unit. Under earnings sharing, quarters of social security coverage would be shared equally between spouses for each year of marriage. Each individual would be entitled to a primary benefit in her or his own right, consisting of a person's earnings while unmarried and half of a couple's combined earnings while married.

The positive effects of earnings sharing are as follows:

1. For two-earner couples, both spouses' payments into the social security system would be credited for eventual sharing, thereby eleminating the current situation in which married working women receive little or no additional retirement benefit from the social security taxes they pay.

2. The disparity which now exists between one- and two-earner couples in retirement and surviver benefits would be reduced during the transition to earnings sharing and eliminated when full earnings sharing is instituted.

3. The social security system would be neutral on the value of homemaking and child rearing. Women who opt to stay at home to raise children for a number of years would not be penalized for being out of the work force for this time.

4. Divorced women would get better protection since each person is entitled to a primary benefit consisting of earnings prior to and/or following a marriage and half a couple's combined earnings for the years of marriage, up to the earnings limit.

Full implementation of earnings sharing is a long-range solution to equity problems which now plague the social security system. It is clear that earnings sharing cannot be fully implemented until after the year 2000. Therefore, we must also consider "transitional" measures which address the immediate needs and concerns of millions of women. Restoration of the minimum social security benefit is an immediate measure which should be taken to assist needy older women who do not qualify for higher benefits. The inheritance of earnings credits by surviving spouses or surviving divorced spouses and credit splitting at divorce are appropriate transitional measures for moving into full-scale earnings sharing. These measures address the current needs of two groups, divorced women and widows, and are consistent with eventual establishment of earnings sharing. We further support, in principle, a transition benefit to be paid to a survivor of an insured individual, if the surviving spouse is over 50 years of age and not otherwise eligible for benefits. The needs of displaced homemakers, women who have spent much of their adult lives out of the paid labor force, are great. These transition benefits would provide a small cushion for these women, until such time as they can train for employment and get jobs.

Finally, in the transition period before full earnings sharing is adopted, provisions should be adopted to liberalize the number of "drop out years" which are allowed for family responsibilities. While as a society we pay lip service to the value of child rearing, we now penalize women who choose to spend more than 5 years on this activity. A November 1975 Monthly Labor Review article stated, "Past estimates indicated the birth of a child reduced the average number of years a married woman could have expected to remain in the work force by 10 years, with each additional child further reducing the mother's work-life expectancy from 2 to 3 years." No doubt, economic pressures now compel women to reenter the work force earlier than in previous years. The five year drop out rule is beneficial to women, but it does not go far enough. A targeted child care credit for those eligible for the special minimum is one way to efficiently reach the group most in need of this liberalization.

As changes are proposed for the social security system, the question of how these changes will be financed must be asked. Unfortunately, there are no easy answers. We recognize that the implementation of earnings sharing may add some costs to the social security system. Studies are now underway to find out what the impact is of earnings sharing on affected groups and the possible costs. We hope that these studies will be careful and realistic in the assumptions they make, so that their conclusions can be used in fashioning future public policy. We can only hope that policy makers will not play off the interest of one group against another in the name of "equity" or cost savings.

Clearly, the American people are concerned about poverty among the elderly. In a 1981 national study of public attitudes conducted for the American Council of Life Insurance, more than two-thirds of people surveyed (67 percent) indicated that government spending on programs to support the elderly should be increased. This same survey found that over half (55 percent) of the respondents believed that government support of social security should be increased. The survey, taken 2 years before the passage of the 1983 Social Security Amendments, showed deep concern about the future of social security, with 57 percent of the respondents expressing lack of confidence in the system. While the 1983 Social Security Amendments may have addressed some of the expressed concerns, BPW USA believes that the continuing inequities in the system contribute to the lack of confidence. The inequities in the system must be addressed in a responsible manner, but the excuse that it is "too expensive" to right the wrongs must not be tolerated.

We commend the Chair of this Task Force, Representative Oakar, for her leadership in bringing to the fore the inequities and inadequancies of the social security system. The system established over 40 years ago no longer meets the needs of millions of American women. The time has come for change. While the proposals discussed above may need refinement, we must not indefinitely delay action to make the social security system more equitable and adequate in meeting the retirement needs of older Americans.

Ms. OAKAR. Thank you very much for your very excellent statement.

The Chair would like to say that we will adhere strictly to the 5-minute rule in questioning, including the Chair.

Let me just begin. Maxine, you are a terrific technician. You understand the social security system. Do you think that one of the reasons that this issue has not gotten more response from Congress and Presidents—not only the current administration, but previous administrations—and the American public, in general—although women feel very strongly about it because they understand it—because people are afraid of the complexity of the social security system?

How do we make it simple to explain? To me, it seems easy to say, "A working spouse can expect to get less than she would get if she never worked at all," and that seems easy to understand to people—and that homemakers who are out of the work force, even if they pay their credit, they are not going to be eligible for disability.

People are really afraid of the social security system.

Ms. **Forman**. I think that's probably true. I think I would probably agree on that. I think that another issue is that I don't think that the American public and many Members of Congress have really heard about this issue enough. I don't think that the problem has become a household word, so to speak. I think there needs to be a lot of education about the problems and, as you mentioned, simplification of some of the technicalities. And even then, there might be some resistance toward change.

Ms. **Oakar**. Judy, you mentioned the poverty level. Of course, we know that the poorest person in the country is a woman over 65 and it's a cycle because she is not paid properly when she is in the work force and then the inequities and inadequacies of her pension or social security contributes to the final burden of poverty.

You mentioned that 60 percent of the women depend on social security. Do you know what the average check is?

Ms. **Schub**. I would have to check my full written statement, but it's a little over $300—$335 a month, I believe.

Ms. **Oakar**. A little over $335 a month and that's what most women in this country live and depend on. Have you ever taken a poll of your membership to see how many get another pension?

Ms. **Schub**. We have not done our own membership. We have over the years—and it's about 20 years now—been talking about both social security and pension reform and they continue to come up on our membership polls to determine our issues, as the No. 2 or No. 3 issue on a list of 5—No. 1 being passage and ratification of the equal rights amendment.

Social security and pensions continue to show up every single year on our legislative platform and that is a document adopted by 3,000 people and it comes from our states. So we know that there is deep concern out there about both social security and pension inequities.

Ms. **Oakar**. You know, most younger people—at least I didn't when I was younger—think of their benefits. They are so glad—particularly women—to get the jobs that they very seldom ask what the pensions are or what the social security system will mean to them when they get older, let alone the health benefits and so on.

What can we do to educate our younger people, particularly women in this case, concerning the inequities of social security?

Ms. **Schub**. I think that the people sitting at this table and future panels have a very important role to play—all of the public interest groups have an important role in the education of people, both in the pension and the social security area.

I would like to say though that we know that there has been an exploitation of fear that somehow changes in the system are going to impoverish women who have spent their entire lives at home. I mean, that has been the charge that has been made. It has been spread and it comes either from ignorance or a desire to resist any changes that would assist women. But we have to confront that fear very directly.

Ms. **Oakar**. Yes; of course, our earnings sharing bill does not affect negatively the homemaker. In fact, it helps the homemaker because she then becomes eligible for disability and so on.

Alice, your organization is outstanding and you specifically address the plight of older women. Can you tell us a little bit more about your Citizens' Council that OWL has initiated as a kind of grass roots group to get this kind of issue forward before the Congress and the President?

Ms. **Quinlan**. Yes, I would be glad to. When the amendments were passed and we realized that the Department of Health and Human Services, in consultation with Senate Finance and House Ways and Means, would be developing this report, we were very pleased to know that it was the case, but it seemed to us that probably an important component was missing; namely, the voice of persons who stand to be most directly affected by earnings sharing and the voice of experts with experience both in aging and in social security. We felt that a council that was outside of the Government would have the greatest freedom to provide that voice and also to serve as a watchdog, and, as I mentioned earlier, a catalyst to make sure that the best possible plans on earnings sharing are developed, and that they are comprehensive and that they are developed in a timely fashion.

Our board president, Tish Sommers, and Dr. Arthur Fleming are the cochairs and we have some 17 members and I have listed them in an appendix to my statement. They include former Congresswoman Martha Keyes; Marian Wright Edelman of the Children's Defense Fund; Judy Goldsmith from NOW; and a number of other persons representing organizations, persons with specific expertise on the issue. It is bipartisan. There are both Republicans and Democrats represented in the group.

Ms. **Oakar**. Well, I want to thank you. My time has expired. I will be submitting some other questions to the panel in writing.

Congressman Daub.

Mr. **Daub**. Thank you very much.

I had the chance last night to take the testimony home and I read it all. I suppose part of the result was because it was my first time to be a ranking member. I suppose it was also because it was the first time that I really had a chance to get a hold of some testimony from the Aging Committee ahead of time. I really do want you to know that I appreciate that.

I found some interesting things in common. All the way from your testimony to the Eagle's Forum testimony, which we will hear shortly, I think it's significant to note that there was a lot of common ground on this issue.

The Eagle's Forum, known generally to be conservative, believes that the idea of sharing at divorce has potential. They support earnings credits inherently for a surviving spouse and they believe in increasing the number of child care dropout years that can be dropped from the earnings averaging period.

So if you take a look at all of the testimony, you find three, four, five, six points of agreement among everyone. I think that means that we can do something and it may be just an argument over degrees. That's where I would like to spend the rest of my 5 minutes for questions.

Some say from statistics that divorced women, more often than not, remarry. Some say that women live longer. Therefore, whether it's an earnings-based or means-tested recalculation the woman is probably going to take out more from the social security system, yet, the potential for dependent benefits and for child-raising benefits may be eliminated by some of the changes that are proposed.

There is a whole field of questions related to this concern. My question to each of you would be, since the pie has 100 percent in it, and if, on the one hand, we read a story like we did in the Washington Post a couple of days ago that 84 percent of all those employed are covered by some pension plan—if, in fact, that story is true you need to let us know from your point of view—if we want IRA's, if we want better pension benefits, if we want better social security benefits, if poorer women need better food stamp and other kinds of safety net programs, won't we have to pay for that.

From the studies you so eloquently describe in your testimony can you tell me how we arrive at the method by which these additional programs are paid for? Where should it be, higher payroll taxes? Should we implement a means test within certain categories of social security? Where would you like us to head if we do some of these things that you think we should be doing in social security? I agree with some of them. I am asking you, what is your financing method?

Ms. QUINLAN. Mr. Daub, I think we are a long ways from looking specifically at financing until we have a sense of possible proposals and what they will cost. I think in all of our testimony here this morning, again, another common thread that you probably heard is that none of us has any particular package that we are at this time endorsing or pushing.

There are many variables that will determine how much additional funding, for instance, might be necessary for an earnings sharing plan. I think several of us in our testimony pointed out what some of those questions would be. Is it optional? Is it mandatory? When does it take effect? How long are the transition periods? What will be done with the variety of issues, like, will there be disability coverage for homemakers, for instance?

Until it becomes clearer what the pieces are of the package—and that is, of course, one of the charges to the HHS to come up with—what impact would earnings sharing on various beneficiaries and how could any potential negative impacts be offset? It would be very difficult to do any kind of costing out of that, and certainly, it's premature, therefore, to say where and how additional funds would be raised.

Mr. DAUB. OK. Thank you.

Ms. FORMAN. I would like to speak to that.

I agree with Alice that it is premature, but eventually we will have to talk about it. I think that I would be opposed and my organization would be opposed to any kind of financing mechanism that would further tax lower income individuals—value-added taxes, any kinds of regressive taxes, we feel, would be a problem.

Some kind of combination of general revenues with other funds might be useful. When we talked before the Senate Finance Committee about financing the system, we talked about raising the maximum wage base, which is a way to raise some money. If not for employees and employers, perhaps for employers only.

Mr. **Daub**. Let me say there that I voted against the TEFRA bill. One of the reasons I voted against it was I looked at the fixed and defined benefit changes that were included for pension plans and I saw a real calamity occurring. If ERISA didn't find enough fixed and defined plans to terminate, the requirement to rewrite and to recertify all of those plans is going to cause another group of plans to terminate. It may affect small employers particularly and those that employ women. So we are going to have an added load to look at it in the next 3 or 4 years and it's going to be a big problem.

Ms. **Forman**. But employers who employ women will not have to pay above the taxable wage base because so few women earn above the taxable wage base.

Ms. **Schub**. I would like to address an earlier part of your statement where you mentioned the 84 percent of all workers have coverage. I saw the figures, too, and I thought about it and I realized that what had happened—and it's very typical in the pension area—is that we have got all of our terms all mixed up. Very possibly, 84 percent of the work force would have, under very special circumstances, access to pensions.

The key issue is vesting and age of participation. Less than one in five women workers today, at age 65, collects any private pension dollars. That's really terrible for women and it's not very good for men. Less than 4 in 10 men collect any private pension dollars. I mean, the situation is bad for both men and women. Most workers do not ever qualify for a pension if they are in covered employment.

Then there is the whole percentage of people who are not in covered employment, meaning their employers do not offer any pension benefits.

Mr. **Daub**. My time is up but let me conclude. I represented 54 pension and profit-sharing plans when I was an attorney in Omaha. I happen to have a degree of expertise in the area of pension, profit-sharing and planning. I fully agree that it was an audacious statement. I don't know where in the world they got their figures.

I wanted, however, to give you this idea of the image again, the problem, is that we have to think about how to finance all of this, as an adjunct to where we end up.

So I ask that question and would welcome any further amplification of my questions by letter for the record. Finally, to conclude by saying how very, very much I appreciate the thorough preparation it was obvious to me you undertook to be with us today. It is appreciated.

Ms. **Oakar**. Thank you very much.

I would like to ask the indulgence of my task force members. Senator Cranston is here. What I would like to do is ask Senator Cranston to testify and then come immediately to Ms. Ferraro for questions of these three panelists, if you don't mind, because I know the schedule we all have.

So if we could just ask you to come back as soon as we hear from Senator Cranston. In view of the votes on the Senate floor today, we don't want to hold him up.

We are happy to have Senator Alan Cranston, who has an impeccable record on women's issues. And, of course, Senator, I am deeply grateful to you for your work in this issue and for your introduction of S. 3 and for your assistance and push to get an amendment in the social security reform package that would mandate HHS to look at our legislation and come up with mutual solutions.

So I am very grateful to you, Senator. We would like to hear your testimony and you can proceed in whatever way is most comfortable.

STATEMENT OF HON. ALAN CRANSTON, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator CRANSTON. Thank you very much for those generous remarks and thank you for the opportunity to be with you today. I have great respect for the work that you have been doing in identifying and finding solutions to problems of women in regard to social security and I am delighted to be the author of a companion bill to your bill that seeks to deal with those problems through the earnings-sharing concept.

This task force is well aware, I know, of the truly dire economic circumstances faced by large numbers of older women in our society. Indeed, it can fairly be said that the problem of poverty and old age is principally one afflicting women since 72 percent of the elderly in this Nation who live in poverty are women. The vast majority live alone and rely on social security as their primary source of income. Unfortunately the social security benefits received by these women are often inadequate. The average social security benefits received by women are far below the average benefits received by men, as you well know.

The causes for these lower benefit levels are diverse. A lifetime of lower earnings resulting from a lack of equal employment practices is a major factor, but the social security benefit structure also contributes to this result. The fundamental problem is that our current system was designed half a century ago when the role of women in our society was vastly different from what it is today. The system is based upon the concept of a lifelong couple with one wage earner and a dependent spouse. Our society has changed dramatically over the last 50 years and the typical family of the 1930's and 1940's is not the typical family of today.

The percentage of married women in the work force exceeds 50 percent and, whether we like it or not, one in three marriages today ends in divorce. It is no longer true that women are likely to be lifelong homemakers or lifelong wage earners. These roles are combined and interchanged throughout a lifetime. Despite these changes the social security system continues to operate on the basis of a philosophy designed for an era when most women did not work and when most women were part of a lifelong marriage. For the vast majority of women and families that no longer fit into that pattern, the system simply fails to provide either adequately or equitably. Both women in the paid work force and homemakers face problems under the current system. Women who work out of the home often find that their years of work and contribution to the social security system make little or no difference in their benefit levels.

Many are no better off than if they had never worked or paid into the system. After years of work as a homemaker a divorced woman may find herself without any work record of her own and eligible only as a dependent spouse. Those dependent spouse benefits set at 50 percent of the primary benefit are likely to be woefully inadequate to live on alone.

Widows are equally vulnerable. Unless she is able to establish a sufficient social security account in her own name after the death of her spouse, she will be dependent upon his record and unable to add any credits to that account from earnings after his death.

The current system also allows for inequities between one-earner families and two-earner families. Two-earner families often find themselves receiving lower benefits than a single-earner family with identical contributions to the social security system. The survivor of a two-earner family will also receive a lower benefit. In short, the current system simply doesn't adequately or equitably protect many of today's families.

I strongly believe that it is of the utmost urgency that we begin the task of revising the social security system to recognize and reflect the changing roles and responsibilities of both men and women in our society and provide for a more equitable recognition of their contributions to a family unit.

I also strongly believe that the earnings-sharing approach is the most direct, most equitable, and most practical way to accomplish this. Earnings sharing recognizes marriage as a partnership and provides that the combined earnings of a married couple will be equally shared.

The concept of dependency which exists in the current benefit structure would be replaced by the concept of equality. Under earnings sharing, each spouse would have independent social security protection. The value and contributions of the homemaker would be recognized. Women who enter and leave the work force to meet child-rearing needs would no longer be penalized by gaps in their social security coverage. The current discrimination against two-earner families would be eliminated.

For these reasons, earnings sharing has repeatedly been identified as the best approach to dealing with these multiple problems. There are, of course, many important issues that must be resolved in making a change of this scope and dimension. Adequate transition provisions must be designed that will provide necessary protections. Adequate phase-in time must be provided so that individuals can plan intelligently. But the complexity of the issues which must be resolved does not mean that they are insoluble.

The ongoing work by HHS to develop its earnings sharing implementation report pursuant to my amendment to the 1983 social security reform legislation; the work being done by the private individuals and organizations associated with the Technical Committee on Social Security Reform; and the formation last week by the Older Women's League of a new bipartisan Citizens' Council on Earnings Sharing, chaired by my own constituent Tish Sommers and one of America's most able public servants, Arthur Fleming, should provide the stimulus and momentum that is needed to bring about these needed changes.

It's fair to say, I believe, that earnings sharing is an idea whose time is about to come and together we can make sure that it does come.

Thank you.

[The prepared statement of Senator Cranston follows:]

PREPARED STATEMENT OF SENATOR ALAN CRANSTON

I deeply appreciate this opportunity to offer testimony on the very important issue of the problems facing women under the current social security system. This Task Force, under the tremendous leadership of Representative Mary Rose Oakar, has played a critical role in helping to identify and develop solutions to the problems faced by older women. I am pleased to have introduced in the Senate, S. 3, the companion legislation to the earnings sharing legislation introduced by Representative Oakar, and I look forward to continuing to work closely with this Task Force and its chair on this and other issues of critical importance to millions of older women.

I strongly believe that it is of the utmost urgency that we begin the task of revising the social security system to recognize and reflect the changing roles and responsibilities of both men and women in our society and provide for a more equitable recognition of their contributions to a family unit.

I also strongly believe that the earnings sharing concept, which the chair of this Task Force has so ably championed, represents the most direct, most equitable and most practical way of modifying the social security benefit structure to meet the needs of today's society.

OLD AGE AND POVERTY

To understand the need for reform in the social security system, it is important to understand the conditions of poverty and dependency which face millions of older women in our society.

The problem if poverty in old age is primarily a problem afflicting women. Seventy-two percent of the elderly in this Nation who live in poverty are women. Most of them live alone and a majority of these women—60 percent—rely upon social security as their sole source of income. In contrast, only 46 percent of unmarried male social security recipients and 29 percent of married couples receive no other income. Not only are women more likely to be totally dependent upon social security, their benefit levels are substantially below benefits received by men. The average social security income for all aged women in 1978 was $2,527 compared to $3,390 for men. The result is that 38 percent of unmarried women receiving social security benefits live in poverty, whereas only 23 percent of the unmarried male recipients and 7 percent of couples live in poverty. One principal difference is that most elderly women—63 percent—are alone in old age. In contrast, 75 percent of elderly men live with a spouse. Thus, men are likely to live in retirement with a combined social security benefit; women are likely to live only on their own inadequate benefit.

In every category—private pensions, asset income, earnings, and social security benefits—older women have dramatically fewer resources and less income in old age than older men.

There are, of course, many factors which contribute to the economic hardships which face women in their retirement years. A life time of lower earnings, resulting from a lack of equal employment opportunities is a major element in the impoverished economic circumstances of many older women. The social security system itself plays a major role because it fails to take into account the changing roles and needs of American women.

HISTORICAL PERSPECTIVE

Much of the problem lies in the fact that the social security system was developed in an era when the role of women in our society was far different from what it is today. In the 1930's when the social security program was created, the typical American family consisted of a man who was a full-time worker and his wife who was a full-time, lifelong homemaker. The labor force participation of married women was less than 17 percent, and fewer than 1 in 12 marriages ended in divorce. The social security benefit structure was thus established on the concept of a lifelong couple with one wage earner and a dependent spouse.

The situation has dramatically changed over the past 50 years and the typical family of the thirties and forties is not the typical family of today. Women have become a major part of America's work force, enriching the world of work with their contributions and productivity, despite continuing wage discrimination and employment barriers. The percentage of married women in the work force exceeds 50 percent, and it has been estimated that 90 percent of all women spend some portion of their lives in the work force, many of them moving in and out of the roles of wage earners and homemakers as the needs of their families change. It is no longer true that women are likely to be either lifelong homemakers or lifelong wage earners; these roles are combined and interchanged throughout a lifetime.

Similarly, we must recognize, like it or not, that the status of marriage has changed dramatically over the past 50 years. Today, one in three marriages ends in divorce.

Despite these massive changes in our society, the social security system has continued to operate on the basis of a philosophy designed for an era when most women did not work and when most were part of a lifelong marriage. Consequently, the current system works well only for that relatively small number of women whose family and work patterns have not changed from the thirties and forties. For the vast majority of women and families that no longer fit into that pattern, the system fails to provide either adequately or equitably for their needs. This is a problem that will grow in the coming decades.

Under the current system, a woman can receive benefits as a covered worker based upon her own earnings record or she can receive benefits as a dependent wife, widow, or ex-wife of a covered worker, but she cannot receive both benefits. If she is entitled to both a worker's benefit and a dependent spouse's benefit, she receives only the higher of the two benefits and loses the other.

A dependent spouse benefit is equal to 50 percent of the benefit of the working spouse. Because many women have gaps in their work histories due to absences from the workplace for childcare or other responsibilities and generally have much lower earnings records, many find that their benefits as a dependent spouse are greater than the benefits they would be entitled to receive on the basis of their own work history. Thus, many married women who enter the work force and make contributions to the social security system find that their years of work and contributions make little or no difference in their benefit levels. They are no better off than if they have never worked and never paid into the social security system.

The inequities of the current system can be even more acute for those women who have been full-time homemakers and are displaced from that role either by divorce or the death of a spouse. After years of work as a homemaker in a marriage, a divorced woman may find herself without any work record of her own and eligible for social security benefits only as a dependent spouse. Although she may be of retirement age, she cannot receive any social security benefits unless the marriage lasted 10 years. Even if she is able to receive a spouse benefit, it is likely to be woefully inadequate. The level of the dependent spouse benefit—50 percent of the primary benefit—was geared toward the notion of women whose marriages do not end in divorce and who will be able to rely upon a combination of their husband's 100-percent benefit and the additional 50-percent spouse benefit. The spouse benefit may well be insufficient to live on alone.

A widow is equally vulnerable under the present system. Unless she has been able to establish a sufficient social security account in her own name, she will be dependent upon the work and earnings record of her deceased spouse. Unable to build up sufficient credits in her own account and unable to add his credits to her account to the extent of her earnings after his death, she is likely to be left with a benefit level that condemns her to entering retirement in poverty.

The current system also discriminates against intact families with two-wage earners as contrasted with one-wage earner families. Under the benefit calculation formula, a two-earner couple is likely to receive lower benefits at retirement than a one-earner couple with exactly the same lifetime earnings. Thus, one family with average monthly earnings of $1,000 and one-wage earner can ultimately receive higher benefits from social security than another family with the exact same average earnings, but with two-wage earners contributing to the total family income. This occurs because of the dependent spouse benefit and because of the formula which is used to calculate benefits. This also means that a survivor of such a two-earner family will also get lower benefits than a survivor of a one-earner family.

EARNINGS SHARING—A CONCEPT FOR TODAY'S MARRIAGE PARTNERSHIP

As I mentioned earlier, I have introduced legislation in the Senate, S. 3 during the 98th Congress and S. 3034 during the 97th Congress, which would incorporate the concept of "earnings sharing" into the social security system. Under the basic proposal, in order to compute social security benefits, all to the earnings of a married couple would be combined and divided equally between the spouses upon retirement of divorce. Each spouse would have established for himself and individual social security account. Earnings acquired before or after a marriage would go into this individual account along with whatever share each member acquired during marriage. The concept of dependency would be replaced by concept of equality.

Although this is a major change form the current social security system of benefit accrual, it is a principle which is now applied in virtually every jurisdiction with respect to other assets acquired during a marriage. Upon the termination of a marriage, these other assets are generally divided equally between the husband and wife. Interests in other pension programs are now viewed as part of the assets acquired during the marriage and are considered in the division of property between the couple upon the termination of the marriage. The same would be true under the earnings sharing concept we propose to apply to the social security system.

There have, of course, been numerous proposals made to deal with inequities and inadequacies of the current system. The "earnings sharing" concept, however, has numerous advantages. It would eliminate the current discrimination against two-wage earner families. They would no longer receive lower benefits than one-earner families with identical earnings records. It would recognize the value of the contribution of a homemaker and accord her with a social security account in her own right. Upon divorce or death of a spouse, a woman could build upon the separate account created for her during her years of marriage, rather than be forced to start from scratch in establishing a social security account. Likewise, credits, from earnings she receives prior to marriage will be able to be added to her account accrued during marriage. The same, of course, would be true for the husband. Women who enter and leave the work force to fill the necessary child-rearing roles would no longer be penalized by gaps in their social security coverage.

For these reasons, earnings sharing continues to be identified as the most direct and equitable approach to dealing with the special problems faced by women in the current social security system. Six of the 15 members of the recent National Commission on Social Security Reform identified earnings sharing in that way, although the mandate of that Commission was not focused upon the special problems of women. Other task forces and studies have reach similar conclusions.

WORKING OUT THE DETAILS

I do not mean to understate the immense challenge that lies before us in attempting to design a major restructuring of social security to incorporate the earnings sharing concept. Exactly how the program should be designed and what type of transitional mechanisms are needed to protect the interests of all individuals who might be affected by such a change are important issues which must be thoroughly considered and analyzed. Obviously, great care must be taken whenever changes of this scope and dimension are contemplated so that unintended consequences do not arise. Adequate time for a phase-in of the changes must be provided so that individuals can plan intelligently for their retirement years. But the complexity of the issues which must be resolved does not mean they are insoluable.

To help provide the technical analysis and data needed to develop further the earnings sharing legislation, I authored the amendment which was enacted as part of the 1983 social security reform legislation, Public Law 98-21, which requires the Secretary of Health and Human Services to provide Congress with an implementation report on earnings sharing. This report is due in July of 1984. Shortly after enactment of this provision, I wrote to Secretary of Health and Human Services and asked that my staff be kept advised as to the progress of this report. As you know, our staffs have met with Department of Health and Human Services representatives twice on this issue, and it appears that good progress is being made by the Department on the groundwork for this report.

I have also been very pleased to see the work being done by the Technical Committee on Social Security Reform for Women with the Urban Institute on the earnings sharing concept. A representative from that Committee will be testifying today and telling you about some of the very important and very promising work that has been done by that group.

Another very promising development was the formation last week by the Older Women's League of a bi-partisan Citizen's Council on Earnings Sharing. The distinquished list of leaders in a wide variety of areas concerned with this issue who have joined this Council is very encouraging. I am also proud to see that my own constituent, Tish Sommers, serves as the co-chair of this new Council with one of America's most able public servants, Arthur Fleming.

I am confident that we are moving forward on this important issue and are establishing real momentum. The interest of this Task Force, lead by Representative Oakar, combined with the work which is being done at HHS pursuant to Public Law 98-21, and the work and commitment evidenced by the private individuals and organizations involved in both the Technical Committee on Social Security Reform for Women and the new Citizen's Council on Earnings Sharing should provide the stimulus that is needed to bring about the needed changes in the basic structure of the social security system.

It's fair to say, I believe, that earnings sharing is, indeed, an idea whose time is just about to come.

Ms. OAKAR. Thank you, Senator. Again, we look forward to your leadership on this issue, particularly on the Senate side and we are very, very grateful for your statement and all the work that you have done.

Mr. Daub?

Mr. DAUB. Thank you very much for sharing your very important testimony today, Senator. We appreciate your taking time from your busy schedule.

Senator CRANSTON. Thank you very much and I appreciate the presence of all of you. It's good to see each of you and I thank you for letting me appear very soon after I came because I do have a very hectic schedule today.

Ms. OAKAR. We know your schedule, these days especially, is very busy, Senator. Thank you very, very much.

Senator CRANSTON. Thank you. I have a longer statement that I will submit for the record.

Ms. OAKAR. Without objection.

Senator CRANSTON. Thank you.

Ms. OAKAR. We are going to resume our questioning now of our other three witnesses now.

Ms. Ferraro?

Ms. FERRARO. Thank you very much, Madam Chair.

I guess while our panelists are getting back into their seats, I just wanted to address the comments of my distinguished colleague from Kansas.

You are almost suggesting that the panelists—in fact, I think you were suggesting that they figure out a way to finance fairness for women in the social security system. I have to tell you that I spent—I was at the Pentagon at 7:30 this morning for a briefing on the Middle East and on Central America and they were talking about weapons and I never once asked those guys how we were going to finance the increased amount of the budget that they are taking up for military weaponry in order to provide it for them. I don't think that's the point.

I mean, we may get to a pay-as-you-go budget situation—I am a member of the Budget Committee and we are even talking about that——

Mr. **Daub**. Would the gentlewoman yield for just a moment?

Ms. **Ferraro**. As soon as I finish my sentence—especially when we are facing $200 billion deficits right now. But I don't think that that should be the concern of the panel. I think that it is our concern to see how we allocate the funds that we have and the revenues that we have.

Mr. **Daub**. If the gentlewoman would yield on that point.

Ms. **Ferraro**. I will yield.

Mr. **Daub**. I am from Nebraska and I appreciate the reference.

Ms. **Ferraro**. I am sorry. I always move you around. That's the second time I have done it.

Mr. **Daub**. I know. And the other thing I want to say to you is that I can't speak for anyone else, but, I asked the people in the Pentagon how they were going to pay for it, too. I am tired of them——

Ms. **Ferraro**. Did you get an answer?

Mr. **Daub**. You are darn right I got an answer. I also supported a 5-percent cut in the President's defense budget from the beginning and I am going to continue to do that. So, I, for one, am not going to let them sit up on a pedestal, free of the same kind of scrutiny. Of course, the purpose for my questions were as legitimate and sincere as I could mean them to be because we are always going to have to face the question on any front.

Ms. **Ferraro**. I don't question the gentleman's sincerity. I am just rather intrigued. If you would be good enough, you know, at another time to share the response you got from the Pentagon on how we are going to pay for the increases in defense spending I would be delighted to introduce legislation with you to see that we can raise the funds so that we don't increase the deficit by the amounts that we are now.

I would like to use the balance of my 5 minutes just to get from the panel what your feeling is with reference to the change in our society and whether or not the earnings sharing piece of this problem will be exacerbated over the next several years. And by that I mean this: There are going to be more and more women in the work force as contributors. There are going to be, obviously, less and less women just as full-time homemakers. Will that change the earnings sharing importance as more women participate in the work force.

Ms. **Forman**. I would like to speak to that.

No, I don't believe it will, for a number of reasons. One is, although more and more women might be entering the work force there is still a large wage gap so that the low earnings will still be a problem, will still cause the differences in retirement benefits.

Ms. **Ferraro**. Let me stop you right there for a minute. Suppose we were to address that by having some sort of a base amount of money that one could collect as a spouse plus another entitlement from the participation that she made by working herself. Suppose we were to go for a dual entitlement portion of the social security system.

Ms. **Forman**. You mean a double-decker type of system?

Ms. **Ferraro**. Yes.

Ms. **Forman**. I think that has been discussed an awful lot and I think one of the problems that they are—there have been a number of problems, but one has to do with one of the lower levels probably becoming means tested at some point and a lack of support for that type of system in our country.

Let me just go back to answer what you asked earlier. There was a study done in 1982, I believe, using 1978 data by the social security system, which pointed out that the dual entitlement problem, that is, women getting a higher benefit as a spouse than as a worker, seems to be increasing, not decreasing, for various reasons so that this problem will remain. Even though women are entering the work force in greater numbers, they are qualifying for benefits based on their worker's record, those benefits will be lower than their spouse benefits.

Ms. **Ferraro**. Does anybody else have a comment?

Ms. **Schub**. Yes. As more and more women enter the work force and stay in the work force longer, you will have an exacerbation of the problem of the inequity between one- and two-earner couples. Further, even if the projections are correct, that most, if not all adult women, will work most of their adult lives, in the very near future, women are still going to take time out of the work force to bear children. At the other end of the age spectrum we are seeing more and more women taking time out of the work force to care for elderly parents—the burden of care for dependent elderly falls almost always on the woman. That's just the way our society works. So the number of years out of the work force, the issue of the 5 dropout years and what one does about that will continue and I think, perhaps, may even increase as more and more women work.

Ms. **Ferraro**. What are the features of earnings sharing that you find most appealing?

Ms. **Schub**. I think we have all said it. It is based on a principle that marriage is a partnership—it is both an economic and a social partnership. Further, it eliminates this inequity where a woman can work a significant part of her adult life and collect nothing in her own right, even though she has paid into the system for many years.

Earnings sharing addresses both of those issues. I think that, further, it recognizes the value of child rearing and other types of dependent care because a woman who stays out of the work force for a number of years is not penalized for that behavior.

Ms. **Ferraro**. Thank you very much. Any other comments?

Ms. **Quinlan**. I would like to take your line of questioning just one little bit further, if I might, in making one final comment here.

There are certainly people who have said:

> We can see your statistics on the poverty among older women, but isn't this the last generation of women who will find themselves in this particular predicament? Isn't it due primarily to the fact that they followed the role of more traditional homemakers, that they don't have pension benefits for that reason, but with the increase of labor force participation among women, with women moving on up the career ladder, with them getting pension benefits, this is all going to wither away and we won't basically have to deal with this problem any longer?

I think that, among other things, that doesn't appropriately recognize the degree of labor force participation by middle-aged women that has been the case all along. Partly because of the way the statistics are collected, many people do not realize that for more than 20 years labor force participation by women in their fifties has been at the 50-percent mark. If you think about that for a minute, if that has been the case for more than 20 years, it means that women who are now in their seventies, half of them, when they were in their fifties, were in the paid labor force. Why haven't the poverty levels decreased because of that? It has to do with occupational segregation. It has to do with the low-wage jobs that they were in. It has to do with inequitable pension laws. And until we have those changes, we clearly are not going to see, merely through increased labor force participation, great changes in poverty levels among older women.

Ms. **Ferraro**. Thank you.

Ms. **Oakar**. Thank you very much, Congresswoman.

I want to thank the panel——

Mr. **Daub**. Would the Chair indulge me for one moment?

Ms. **Oakar**. Sure.

Mr. **Daub**. The National Organization for Women has recommended that as a source of financing for some of these things we look at the field of taxation and fringe benefits. I don't want to elaborate now, but if any of you have an interest in this type of taxation as a source could you write me a note? I would like to take a look at it as an option. I think it is another part of this puzzle.

Ms. **Oakar**. Well, our next witness happens to be from the National Organization for Women, so maybe we should let that organization speak for itself.

I want to thank the panelists very much and thank you for the great work you are doing on this issue and many other issues.

Ms. **Forman**. Thank you for this opportunity.

Ms. **Schub**. Thank you.

Ms. **Oakar**. Our next witnesses are Mary Jean Collins, who is the vice president, Action, the National Organization for Women, and Catherine East, who is the legislative director for the National Women's Political Caucus. We are very happy to have both of you with us today and we are grateful to your organizations for their leadership.

Mary Jean, would you like to begin?

Ms. **Collins**. Certainly.

PANEL TWO—CONSISTING OF MARY JEAN COLLINS, VICE PRESIDENT, ACTION, NATIONAL ORGANIZATION FOR WOMEN, INC., AND CATHERINE EAST, LEGISLATIVE DIRECTOR, NATIONAL WOMEN'S POLITICAL CAUCUS

STATEMENT OF MARY JEAN COLLINS

Ms. **Collins**. My name is Mary Jean Collins, vice president, Action, of the National Organization for Women, Inc., the largest women's rights organization in the Nation. I am pleased to be able to address this task force and I wish to thank Congresswoman Oakar for her long-standing support for reform of the inequities in social security that have had a disparate and harmful impact on women.

I have submitted written testimony for the record that details some of the major structural problems with social security. I would also like to submit an article from the most recent Harvard Women's Law Journal called, "Case Studies in the Treatment of Women under Social Security Law: The Need for Reform," by Congresswoman Mikulski and Ellen Brown, for the record.

Ms. OAKAR. Without objection, we would be happy to receive the material for the record.

Ms. COLLINS. Thank you.

In my oral comments I want to highlight the concept of earnings sharing as a major solution to the problems faced by women under the social security system.

NOW supports Representative Oakar's bill, H.R. 2742, requiring mandatory earnings sharing in determining social security benefits. This is the most obvious reform that would eliminate the concept of dependency inherent in spouse benefits that are derived from worker benefits and to begin treating marriage as an economic partnership. Viewing marriage as an economic partnership is not a radical idea. In the Economic Recovery Tax Act of 1981, Congress recognized this partnership by exempting estates passed to the surviving spouse from inheritance taxes.

The income on which social security taxes is paid is income available to the family. Yet to social security it belongs only to the individual. The result is that the system regards women with low lifetime earnings as dependents of their husbands with no credit for any contributions to the social security system they have made.

Earnings sharing at its basic level, means establishing separate social security accounts for every person. When unmarried, one's own earnings would be recorded in one's account. When married, the couples combined earnings would be equally divided between each spouse's account.

At retirement each person would receive a social security benefit based on the record of earnings in the account. Earnings credits accumulated during a marriage should be automatically transferred to the surviving spouse or ex-spouse upon the death of her or his former partner.

The concept of earnings sharing, like marriage as an economic partnership, is not an extreme idea. In fact, the conceptual precedent of earnings sharing is the now well-tested law of community property, as pointed out by Commissioner Mary Falby Fuller in her supplementary statement to the report of the National Commission on Social Security.

Earnings sharing would insure that all employed women benefit from their social security contributions. It would offer special protection to divorced women because the record of combined earnings would be portable and thus outlast the marriage. Lifetime homemakers who are divorced before the 10th year of marriage would benefit significantly. Today they would not qualify for a spouse benefit based on their ex-husband's earnings and every year working in the home would reduce the earnings history on which their own work benefit would be based. Under earnings sharing, however, every year that one partner is employed both partners get credit for half those earnings. We would put these changes into the law now and provide benefits under a transitional formula so that those retiring in the near future are not adversely affected by the change. Couples could, for instance, receive either benefits based on shared earnings or a benefit calculated under a transitional formula assuring the same purchasing power as under present law.

There have been several earnings sharing proposals in the past. In fact, the National Commission on Social Security Reform did not officially recommend earnings sharing, but six members added supplemental statements supporting an earnings sharing proposal.

The cost and savings of these earnings sharing proposals varies widely depending on the specification of the proposals. Representative Oakar's and Senator Cranston's earnings sharing proposals provide the beginning framework for debate on the best ways to improve the system for all women. Since the immediate social security financing problems were resolved last spring, we only hope that these proposals would be given serious consideration by both Houses of Congress.

We also hope that the HHS is continuing to investigate this issue. NOW recognizes that these essential reforms do not come cheap and that social security, as currently financed, could not afford them. These changes must be paid for—we would not suggest otherwise. There are a variety of options for raising the required funds for these important reforms.

Congress could, for example, subject a portion of fringe benefits to social security tax. The 1982 Social Security Trustees' Report assumes that fringe benefits will grow as a portion of total employee compensation from 16 percent today to 38 percent in 2060. It is well within Congress power to tax a part of this now untaxed compensation. Congress could, for instance, phase in a tax on fringe benefits in excess of 25 percent of total compensation.

Indeed, good public policy almost demands that such a large amount of untaxed compensation not remain uncaptured. Good public policy certainly demands that social security treat women more equitably or else the poverty that plagues today's generation of elderly women will visit tomorrow's as well. Last year a reporter telephoned to tell NOW of the Social Security Administration's remarkable new computers, which can estimate benefit levels 75 years from now. These computer runs revealed, among other things, that today's disparities between men's and women's social security benefits would remain the same over the 75-year projection period. Women would fare no better in 2060 than they do today. "What," we ask, "does social security propose to do about this problem?" "Why, nothing," the reporter replied, saying that the Social Security Administration did not consider it a problem.

The Federal Government has, for a generation, warred on poverty. We must not and will not ignore the poverty of elderly women. We will not remain silent while our primary system of social insurance treats half the Nation unfairly and perpetuates its poverty. Congress must ensure that the retired women of the future fare better than SSA is willing to let them. Congress can best do so by immediate passage of earnings sharing and dependent's care credits. Unless Congress acts now, social security will continue to short-change American women, with disastrous results for women and for the country.

Thank you.

[The prepared statement of Ms. Collins follows:]

Testimony of the National Organization for Women, Presented by Mary Jean Collins, Vice President, Social Security, Old Age and Survivors Insurance Program

I am pleased to testify today about solutions to the problems women face under the current Social Security Old Age and Survivors Insurance Program. The National Organization for Women, with nearly 250,000 members, the nation's largest organization dedicated to eradicating sex discrimination, has long been concerned with inequities in Social Security that have had a disparate and harmful impact on women.

To begin with, despite serious flaws for women in Social Security, NOW firmly believes that it must be preserved, and categorically rejects any attempt to replace it with a voluntary plan or otherwise change its structure radically. We believe this mandatory system of social insurance has generally served Americans well for nearly fifty years although it clearly requires revision to serve women adequately.

Although the purpose of this hearing is to present solutions to problems of inequities for women under the current Social Security system, solutions follow directly from problems, so I have divided my testimony into systemic problems and systemic solutions.

BACKGROUND—SYSTEMATIC PROBLEMS FOR WOMEN

The Social Security system is of great importance for the 19 million women now receiving benefits, for the 51 million women who pay Social Security taxes and the millions more who will pay those taxes and receive benefits in the future,[1] 91 percent of retired women receive Social Security benefits; by contrast, only 10 percent have private pensions.[2] Social Security is the sole income source for most elderly women and it has made these women more self-sufficient, has given them some freedom from the coldness of charity, from government relief for the needy, from having to depend upon their children for support. Social Security is all the more important to them because it is not a gift but an earned benefit, a system of social insurance in which all contributors have a very important stake.

Yet Social Security as we have known it for nearly a half-century places the overwhelming majority of American women at a significant disadvantage. Social Security penalizes women for entering the paid labor force when they have no choice but to do so. The vast majority of women who are working outside of the home must do so, even though they will earn only 60 percent as much as a man in a similar job.[3] And Social Security perpetuates women's proverty. Largely because of its systemic bias against working women, the average women's Social Security benefit is $334 per month, only 87 percent of the proverty line.[4] In fact, in 1982, 66 percent of all retired women received benefits that were under the proverty line.

This arises simply because a system constructed to meet the needs of the average family of the 1930's cannot help but fail the average family of the 1980's. The effect, however, is inescapable. Social Security penalizes women who work in the home and it penalizes women who work in the workforce.

While a woman is rearing children or caring for an aged or disabled family member, Social Security counts these years as "zero earnings." These "zeros" are averaged into her benefit, and the benefit is reduced as a result.

This affects the overwhelming majority of American women. In 1940, the labor force participation rate for all women was 28 percent. In 1948, the first year such statistics were kept, the rate for married women was 13 percent.[5] Today the rate for all women is more than 53 percent, and for married women, 49 percent.[6] The

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[1] Social Security Administration, *1982 Trustees Report.*

[2] National Commission on Social Security Reform, Memorandum Number 27, "Pension Coverage by Sex," June 1982.

[3] Census Bureau, *Statistical Abstract of the United States*, 1982.

[4] Social Security Administration, *1982 Statistical Supplement*, p. 63.

[5] Census Bureau, *Historical Statistics of the United States*, 1978.

[6] *Statistical Abstract.*

Bureau of Labor Statistics expects the rate for all women to level off between 60 and 65 percent after 1990.

Data from the National Longitudinal Studies on Mature Women indicate that between 60 and 67 percent of all married women who will retire in 1990 will have been in paid employment for ten years or more, long enough to qualify for Social Security benefits in their own right. Nearly 80 percent of married women who will retire in 2000 will have spent ten years or more in paid employment.[7]

While these figures reveal the revolution in the number of women in the work force, they do not necessarily indicate a major change in the work patterns of women in paid employment. The Longitudinal Studies show that only 8 percent of all women who will retire in 1990 will never have joined the paid work force. Of women who have worked, nearly 85 percent have interrupted their careers to work in the home. The figure is little different for women who will retire in 2000, 82 percent.

This pattern may be changing. It may not. We can't say for certain. However, from the few data available today, we can posit with some assurance that the number of years spent in the home may continue to decrease, but the percentage of women who interrupt their paid employment to work in the home will not decrease by a large factor.[8]

Social Security discourages women from working in other ways as well. Two-earner couples, for instance, receive smaller Social Security benefits then one-earner couples with the same family income. The percentage of couples with two earners has skyrocketed during the past forty years and shows every indication of continuing to rise. Thus a larger-than-anticipated—and ever-increasing—pool of families is affected. The disparity is not small. In a two-earner couple in which each spouse had average indexed earnings of $6,000 per year, each earner would receive an annual Social Security benefit of $3,173, a combined benefit of $6,346. A one-earner couple with average indexed earnings of $12,000 yearly would get an annual benefit $7,630, 20.2 percent more than the two-earner counterpart.[9]

In 1935, one out of six marriages ended in divorce. In 1976 the figure was one out of three, and today it is estimated at close to one out of two.[10] Yet Social Security continues to treat marriage as life-long, and offers little protection to divorced women, especially those who spend most of their married life working in the home.

Until 1977, a divorced woman could not qualify for spouse benefits based on her ex-husband's earnings unless the marriage had lasted twenty years. In 1977, Congress reduced that to ten years. Since approximately two-thirds of all marriages dissolve before the tenth year, this change fails to protect the vast majority of women.[11]

SYSTEMIC SOLUTIONS

Social Security must begin to view marriage as the economic partnership that it is. This is not a radical idea; indeed, in the Economic Recovery Tax Act of 1981, Congress recognized this partnership by exempting estates passed to the surviving spouse from inheritance taxes. The income on which Social Security taxes is paid is income available to the family, yet to Social Security it belongs only to the individual. The result is that the system regards women with low lifetime earnings as dependents of their husbands, with no credit for any contributions to Social Security they may have made.

EARNINGS SHARING

NOW supports Rep. Oaker's bill, HR 2742, requiring mandatory "earnings sharing" in determining Social Security benefits. At its basic level, this means establishing separate Social Security "accounts" for every person. When unmarried, one's own earnings would be recorded in one's account; when married, the couple's combined earnings would be equally divided between each spouse's account. At retirement, each person would receive a Social Security benefit based on the record of earnings in the account. Earnings "credits" accumulated during a marriage should be automatically transferred to the surviving spouse or ex-spouse upon the death of her or his former partner.

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[7] National Longitudinal Study on Mature Women, unpublished data collected in 1976.

[8] See, e.g., testimony of Steven H. Sandell of the National Commission for Employment Policy before House Ways and Means Subcommittee on Social Security, "Demographic Trends and the Social Security System," December 2, 1980.

[9] Social Security Administration.

[10] Bureau of the Census, Survey of Marital History, Current Population Report, Series P-20, Number 297, 1976. Estimate for current figure is from preliminary data that will update this report.

[11] *Ibid.*

The concept of earnings sharing, like marriage as an economic partnership, is not a radical idea. In fact, the "conceptual precedent" of earnings sharing is the now well-tested law of community property, as pointed out by Commissioner Mary Falvey Fuller in her supplementary statement to the report of the National Commission on Social Security.[12]

Earnings sharing would ensure that all employed women benefit from their Social Security contributions. It would offer special protection to divorced women because the record of combined earnings would be portable (and thus outlast the marriage). Lifetime homemakers who divorce before the tenth year of marriage would benefit significantly. Today they would not qualify for a spouse benefit based on their ex-husband's earnings, and every year working in the home would reduce the earnings history on which their own worker's benefits would be based. Under earnings sharing, however, in every year that one partner is employed, both partners get credit for half those earnings.

Earnings sharing would offer greater protection to the majority of women who will retire in the future, and as a result will restore the fairness that has been missing from Social Security for too long. But by itself it would not adequately protect women who must work in the home. Caring for dependents is the near-exclusive province of women; while no one doubts both the amount of work and the social benefits involved, Social Security fails to reward this work with adequate benefits.

DROPOUT YEARS

NOW supports allowing Social Security "drop-out years" for time spent caring for a child under 16, a retiree over age 65, or a person who meets Social Security's definition of disability. To qualify, the dependent would have to reside with the caretaker, and the caretaker could not earn enough income to get Social Security coverage for that year.

Those years would simply not be counted when computing retirement or disability benefits. We reject the idea that the number of "drop-out years" should be capped and any excess included in the benefit calculation. These "dependents' care credits" are based on the principle that this work, through unpaid, is of enormous benefit to society and should not impose any penalties on the women who must undertake it.

IMPLEMENTATION OF SOLUTIONS

We would put these changes into the law now, and provide benefits under a transitional formula so that those retiring in the near future are not adversely affected by the change. Couples could, for instance, receive either benefits based on shared earnings or a benefit calculated under a transitional formula assuring the same purchasing power as under present law.

NOW recognizes that these essential reforms do not come cheap, and that Social Security as currently financed could not afford them. These changes must be paid for; we would not suggest otherwise. There are a variety of options for raising the required funds for these important reforms, Congress could, for example, subject a portion of fringe benefits to Social Security tax. The 1982 Social Security Trustees Report assumes that fringe benefits will grow as a portion of total employee compensation from 16 percent today to 38 percent in 2060. It is well within Congress's power to tax a part of this now-untaxed compensation. (Congress could, for instance, phase in a tax on fringe benefits in excess of 25 percent of total compensation.) Indeed, good public policy almost demands that such a large amount of untaxed compensation not remain uncaptured.

Good public policy certainly demands that Social Security treat women more equitably, else the poverty that plagues today's generation of elderly women will visit tomorrow's as well. Last year a reporter telephoned to tell NOW of the Social Security Administation's remarkable new computers, which can estimate benefit levels 75 years from now. These computer runs revealed, among other things, that today's disparity between men's and women's Social Security benefits would remain the same over the 75 year projection period. Women would fare no better in 2060 than they do today. What, we asked, does Social Security propose to do about this problem? Why nothing, the reporter replied, saying that the Social Security Administration did not consider it a problem.

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[12] *Havard Women's Law Journal,* "Case Studies in the Treatment of Women Under Social Security Law: The Need for Reform", Barbara M. Mikulski, Ellyn Y. Brown, Spring 1983, Vol. 6, No. 1, p. 31.

The federal government has for a generation warred on poverty. We must not and will not ignore the proverty of elderly women. We will not remain silent while our primary system of social insurance treats half the nation unfairly and perpetuates its poverty. Congress must ensure that the retired women of the future fare better than SSA is willing to let them. Congress can best do so by immediate passage of earnings sharing and dependent's care credits. Unless Congress acts now, Social Security will continue to short-change American women, with disastrous results for women and the country.

CASE STUDIES IN THE TREATMENT OF WOMEN UNDER SOCIAL SECURITY LAW: THE NEED FOR REFORM

BARBARA A. MIKULSKI*
ELLYN L. BROWN**

INTRODUCTION

Ideally, American law reflects its citizens' values and fundamental beliefs. For example, our individual liberties are embodied in such constitutional protections as freedom of speech and religion and the right to be free from unreasonable invasions of privacy, and our sense of fairness is manifested by protections crafted from the due process and equal protection clauses. Similarly, legislative enactments proclaim our values, for example, encouragement of competition (anti-trust laws); stimulation of philanthropy and investment (tax incentives); commitment to citizens' education and health care (government financial assistance). Although our political process does not always produce the perfect means to achieve these goals, and, in a pluralistic society, there will always be conflicts among interest groups as to which goals should be pursued, nonetheless, in general, we expect our system of laws to reflect our system of values.

Unfortunately, our political system often denies by its actions many of the values that the American people claim to honor. By long-held tradition, we profess to embrace the family as the foundation of our way of life, and acclaim the homemaker, who works to maintain the home and to guide her children. American law, however, has not always acted to uphold these values. In addition, American tradition respects individual achievement, professes the self-worth of every individual, and acclaims the work ethic. Nonetheless, our laws have been slow to adapt to the economic realities faced by today's women who work outside of the home.

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*Member, United States House of Representatives. B.A., Mt. St. Agnes College; M.S.W., University of Maryland. Congresswoman Mikulski has represented the Third District of Maryland since 1976.

**Associate, Venable, Baetjer and Howard, Baltimore, Maryland. A.B., Vassar College; M.S., The Johns Hopkins University; J.D., University of Maryland.

The federal government's largest human services program, the Social Security system, often works at cross purposes to our professed values by its implicit denial of the value of the contributions made to society by American women. The system is erratic in its treatment of women: its vagaries are such that many women—whether married, single, divorced or widowed, homemakers or wage earners, with or without children, disabled or healthy—receive Social Security benefits that provide an inadequate standard of living and bear no equitable relationship to their respective contributions to society.

Reform of the Social Security system to equalize the treatment of women and men has been a subject of congressional concern for a number of years.[1] In part, this concern has been catalyzed by some of the more graphic of the gender-based distinctions in the Social Security system which have been exposed—and invalidated—by federal court cases in the past several years. In 1983, however, overall fiscal integrity of the Social Security system is the overriding concern. In the past few years, Americans have watched with growing alarm as the system has slipped closer to the edge of bankruptcy, and have become increasingly confused and frightened by the political polarization that has prevented a solution.

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[1] *See, e.g.*, Social Security Amendments of 1977, Pub. L. No. 95-216, title III, § 341, 91 Stat. 1509, 1548, (requiring the Secretary of Health, Education and Welfare, in consultation with the Department of Justice, to report to Congress concerning proposals to eliminate sex discrimination in the system); U.S. Dep't of Health, Education and Welfare, [Social Security and the Changing Roles of Men and Women] (Feb. 1979), *reprinted in* Volume II, Appendix III of *Treatment of Women Under Social Security: Hearings Before the Task Force on Social Security and Women of the House Subcomm. on Retirement Income and Employment and the House Select Comm. on Aging*, 96th Cong., 1st Sess. 40 (1979) [hereinafter cited as Changing Roles; citations are to text of report contained in Vol. II, App. III of hearings]; *See also Adapting Social Security to a Changing Work Force: Hearings Before the Senate Special Comm. on Aging*, 96th Cong., 1st Sess. (1979) [hereinafter cited as *Senate Hearings*]; *Treatment of Men and Women Under the Social Security Program, Hearings Before the Subcomm. on Social Security of the House Comm. on Ways and Means*, 96th Cong., 1st Sess. (1979) [hereinafter cited as *House Hearings*]; *Treatment of Women Under Social Security: Hearings Before the Task Force on Social Security and Women of the House Subcomm. on Retirement Income and Employment and the House Select Comm. on Aging*, 96th Cong., 1st Sess. (1979) [hereinafter cited as *House Task Force Hearings*]. Knowledgeable private authors have also expressed their concern about these issues. *See, e.g.*, R. Ball, Social Security Today and Tomorrow (1978) at Chapter 12, "Are Women and Minority Groups Treated Fairly?"; Myers, *Social Security and Sex Discrimination*, Challenge, July-Aug. 1975, at 54-56.

In an attempt to advance beyond the initial contrapositions of the President and the Congress, and in order to initiate work on reform at a more advanced level, President Reagan established the National Commission on Social Security Reform in December 1981.[2] The National Commission's Report, published in January 1983, is the basis from which the House Ways and Means Committee, and, in turn, the Congress as a whole, will undertake the massive and complex task of reform.

As stated in the Executive Order creating it, the National Commission's mandate was to identify, analyze, and recommend solutions to the current and long-term financial problems of the Social Security trust funds. Although the Report offers some recommendations that would touch upon the system's treatment of women,[3] and acknowledges that "[s]ome members ... believe that there should be a comprehensive change in the program to reflect the changing role of women . . . ," it also states that other members "[believe] that such comprehensive changes [are] outside of the scope of the charge of the National Commission."[4] Thus, it seems, in the crisis atmosphere created by pending financial collapse of the Social Security system as a whole, there is the distinct possibility that we will once again procrastinate concerning the reforms needed to equalize the treatment of women under the system.

The principal problems with further delay of consideration of "women's issues" are both integral and political. First, as with every other element of the Social Security system, any changes made with regard to benefit structures or levels for women will have fiscal consequences. Therefore, such changes are ideally suited to consideration within the context of overall fiscal reform. Political reality compels the same conclusion: once the Congress has agonized through the difficult decisions necessary to resolve the current crisis, it may be reluctant to alter the new legislative scheme. From both perspectives, then, the right moment has arrived for consideration of benefit equity and adequacy for women.

In order to illustrate the need for these reforms, this Article describes the Social Security system's treatment of women in different roles and circumstances of life. A discussion of proposals for reform is also included. Rather than a list and analysis of the various statutory components of the system, the difficulties encountered by women are illustrated through a series of case studies of hypothetical individuals. These case studies reveal the seriousness and depth of human problems far better than can the dry recitation of statutory meaning and effect. They also show the manner in which members of Congress are made aware of the problems of the Social Security system: through the real dilemmas of their constituents who must live with the inequities and inadequacies of the system.

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[2] Exec. Order No. 12,335, 3 C.F.R. 217 (1981).

[3] Report of the National Commission on Social Security Reform, (1983) at 2-5, 2-6, 2-12 to 13 [hereinafter cited as National Commission Report].

[4] National Commission Report, *supra* note 3, at 2-28.

AN HISTORICAL PERSPECTIVE ON THE SOCIAL SECURITY SYSTEM

As enacted in 1935, Social Security was an employer-employee financed system designed to begin paying monthly benefits to retired wage earners in 1942. The original system focused on the wage earner's contributions through a taxing system, with the benefit level upon retirement dependent on the worker's earnings record.[5] In 1939, however, before the system took effect, Congress approved amendments that added a new class of supplemental benefits for the wage earner's dependents.[6] These amendments were designed specifically to "afford more adequate protection to the family as a unit."[7] The 1939 amendments provided that a dependent wife would, at age sixty-five, receive fifty percent of her wage-earning husband's benefit even though her husband had contributed no more to the system than had a comparably situated unmarried wage earner.[8] Similarly, a dependent widow with children under eighteen was eligible for a mother's benefit, which was discontinued when the youngest child attained eighteen.[9] A dependent child became eligible for separate benefits through the account of the deceased wage-earning father.[10] Upon reaching age sixty-five, a widow could claim widow's benefits through her husband's account; alternatively, if she had been a wage earner for a sufficient period of time during the years intervening between the cut-off of her mother's benefit and eligibility for the widow's benefit, she could claim through her own retirement account.[11] The system as enacted originally reflected the perception that most women lived their lives as economic dependents and defined such dependents in terms of their economic relationships to wage earners.

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[5] Social Security Act of 1935, ch. 531, § 202, 49 Stat. 620, 623 (repealed 1939; current version at 42 U.S.C. §§ 401-433) (1976 & Supp. II-V, 1978-81)). The original plan provided that a worker would receive benefits equal to or greater than his contributions plus interest, and that a lump sum payment would be returned to his estate if he died before receiving his full entitlement. *See* Congressional Research Service, Women and Retirement Income Programs: Current Issues of Equity and Adequacy, Report Prepared for the Subcomm. on Retirement Income and Employment of the House Select Comm. on Aging (96th Cong., 1st Sess.) (Nov. 1979), at 14-15 [hereinafter cited as Current Issues]; Changing Roles, *supra* note 1, at 52-55.

[6] Social Security Act Amendments of 1939, § 202(b)-(f), 53 Stat. 1360, 1364-66 (current version at 42 U.S.C. § 402(b)-(h) (1976 & Supp. II-IV, 1978-80)).

[7] H.R. Rep. No. 728, 76th Cong., 1st Sess. 7 (1939).

[8] Social Security Act Amendments of 1939, § 202(b), 53 Stat. 1360, 1364 (current version at 42 U.S.C. § 402(b) (1976 & Supp. II-V, 1978-81)).

Since 1939, Congress has further amended the Social Security Act, first by adding disability benefits and making further provisions for certain categories of beneficiaries,[12] and more recently by limiting the scope of certain benefits.[13] These changes have, however, left the underlying system largely intact.

Federal court litigation has also prompted some significant but piecemeal modification of the system. In 1975, in *Weinberger v. Wiesenfeld*,[14] the Supreme Court found that the section of the

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[9] *Id.* at § 202(e) (current version at 42 U.S.C. § 402(g)).

[10] *Id.* at § 202(c) (current version at 42 U.S.C. § 402(d)).

[11] Social Security Act Amendments of 1939, ch. 666, § 202(b)–(f), 53 Stat. 1360, 1364 (current version at 42 U.S.C. § 402(b)–(h) (1976 & Supp. II–IV, 1978–81)).

[12] *See, e.g.*, Social Security Act Amendments of 1950, ch. 809, § 101(a), 64 Stat. 477, 482 (current version at 42 U.S.C. §§ 402(c)(1)(c), (f)(1)(D) (1976)). This amendment created a new classification of benefits for husbands and widowers, but required a showing of economic dependency, *i.e.*, a showing that the husband or widower depended on his wife for more than half of his support. This sex-dependent economic support test was struck down by the Supreme Court in Califano v. Goldfarb, 430 U.S. 199 (1977) (plurality opinion), discussed *infra* at text accompanying notes 17–22. These amendments also provided that divorced women whose former spouses had died were eligible for the same mother's benefit that previously had been payable only to the survivors of intact marriages. Social Security Act Amendments of 1950, ch. 809, § 101(a), 64 Stat. 482, 42 U.S.C. § 402(g)(1) (1976). *See* description of the mother's benefit, *supra* at text accompanying note 9, *infra* at text accompanying note 44. Other amendments that added to or expanded beneficiary categories included the Social Security Amendments of 1965, Pub. L. No. 89-97, § 308, 79 Stat. 286, 375 (provided widow's benefits for divorced women); Social Security Amendments of 1972, Pub. L. No. 92-603, § 114, 86 Stat. 1329, 1348; Social Security Amendments of 1977, Pub. L. No. 95-216, § 337, 91 Stat. 1509, 1548 (shortened duration of marriage requirement to 10 years from 20) (current version at 42 U.S.C. §§ 402 & 416 (1976)).

[13] Omnibus Budget Reconciliation Act of 1981, Pub. L. No. 97-35, §§ 2201, 2210, 95 Stat. 357, 830, 841 (1981) (limiting minimum benefit provisions and child's insurance benefits for college students).

[14] 420 U.S. 636 (1975).

Social Security Act that provided certain benefits to a surviving spouse only if the spouse was a mother[15] violated the right to equal protection secured by the due process clause of the fifth amendment.[16] Under the provision, males were *per se* excluded from receiving such benefits regardless of whether they could prove actual financial dependency on the family's female wage earner.[17] Because of the court's ruling, eligibility was extended to widowers on the same basis that it had been extended to widows.[18] *Wiesenfeld* was followed in 1977 by *Califano v. Goldfarb*,[19] in which the Court invalidated the gender-based requirement for a dependency test that controlled the receipt of survivor's benefits by the surviving spouse of a deceased wage earner. Under the statute in effect at that time, survivor's benefits based on the earnings of a deceased husband were payable to his widow regardless of her actual financial dependence on her husband, but a widower was eligible to receive survivor's benefits based on the earnings of his deceased wife only if he could prove that he was receiving at least one-half of his support from her.[20]

In both *Wiesenfeld* and *Goldfarb*, the Court found that the gender-based distinctions in the challenged statutes were impermissible because they deprived women of the protection for their families that men received by their employment and payment of the Social Security taxes.[21] In both cases, the Court recognized that the challenged benefit schemes had been enacted on the basis of assumptions about family relationships and dependency that prevailed at the time. In *Wiesenfeld*, the Court found that the legislative intent in the 1939 enactment of the so-called mother's benefit was to supplement children's benefits in order "to permit women to elect not to work and to devote themselves to the care of children."[22] In *Goldfarb*, the Court reviewed the legislative history of the challenged provision and concluded that it had been enacted "on the 'then generally accepted presumption that a man is responsible for the support of his wife and children.' "[23] Current economic reality, the Court said, could not support such " 'archaic and overbroad' generalizations" as a sufficient justification for the gender-based differentiation.[24]

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[15] *Id.* at 637 n.1; 42 U.S.C. § 402(g) (1970 ed.).

[16] 420 U.S. at 653 (citing Reed v. Reed, 404 U.S. 71, 77 (1971)).

[17] 420 U.S. at 637 n.1; 42 U.S.C. § 402(g) (1970 ed.).

[18] 20 C.F.R. § 404.335 (1982).

[19] 430 U.S. 199 (1977) (plurality opinion).

[20] *Id.* at 201 n.1; 42 U.S.C. § 402(f)(1) (1970 ed. & Supp. V). In effect, this test required the female wage earner to produce at least 75% of the couple's earned income.

[21] Wiesenfeld, 420 U.S. at 645; Goldfarb, 430 U.S. at 208. *But cf.* 430 U.S. at 218 (Stevens, J., concurring) (finding the impermissible discrimination to be against the male survivors rather than against the deceased female wage earners).

[22] 420 U.S. at 648.

Lower federal courts, relying on *Goldfarb* and/or *Wiesenfeld*, have found additional portions of the Social Security Act to be unconstitutional.[25] One such provision of the Act which was overturned permitted payment of survivor's benefits to a female wage earner's widower only if he had never remarried, but permitted payment to a male wage earner's widow as long as she was not married at the time of application.[26] Both the First and the Fifth Circuit Courts of Appeals have found unconstitutional under the due process clause of the fifth amendment the provision contained in the Act that, in a community property state, income from a trade or business (other than a partnership between husband and wife) was to be treated as the husband's income. Under the now-invalid provision, income from such a business had not been credited to the wife's earnings for Social Security eligibility unless the wife exercised substantially all of the management and control of the business.[27]

Although these and other court-fashioned changes have, of course, been ameliorative, most of these decisions have benefited female workers by bringing the value of their Social Security contributions to their *survivors* into parity with the contributions of male workers. In other areas, such as distinctions in benefits to women based on their marital statuses, the courts have found that the distinctions made by the law, even if arbitrary and troublesome, did not constitute a violation of the equal protection clause of the fourteenth amendment.[28] At the most fundamental level, courts are limited in the amount of reform that they are able to bring to the Social Security system because many of the most problematic issues surrounding the equity and adequacy of women's benefits are not *per se* gender-based discriminations. Rather, much of what works against women recipients is what might be termed the "disparate impact" of certain fundamental structures in the Social Security system.[29]

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[23] 430 U.S. at 215-16 (quoting SOCIAL SECURITY ADMINISTRATIVE RESEARCH REPORT 42, at 77, D. HOSKINS & L. BIXBY, WOMEN AND SOCIAL SECURITY: LAW AND POLICY IN FIVE COUNTRIES (1973)).

[24] 430 U.S. at 207; 420 U.S. at 643 (both citing and quoting Schlesinger v. Ballard, 419 U.S. 498, 508 (1975).

[25] *See, e.g.*, Yates v. Califano, 471 F. Supp. 84 (W.D. Ky. 1979) (surviving divorced father as opposed to surviving divorced mother); Baker v. Harris, 503 F. Supp. 863 (D.D.C. 1980) (surviving divorced husband as opposed to surviving divorced wife); Vitale v. Harris, 507 F. Supp. 854 (S.D. Fla. 1981) (surviving divorced widower as opposed to surviving divorced widow).

[26] 42 U.S.C. § 402(f)(1) (1976). Mertz v. Harris, 497 F. Supp. 1134 (S.D. Tex. 1980).

[27] 42 U.S.C. § 411(a)(5)(a) (1976). Hester v. Harris, 631 F.2d 53 (5th Cir. 1980); Carrasco v. Secretary, 628 F.2d 624 (1st Cir. 1980).

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Thus, despite the elimination of some overt forms of gender-based discrimination from the Social Security Act, we continue, in 1983, to have a Social Security system that was designed to serve the society of the 1930's. That system was based on four assumptions: that women were typically homemakers, that men provided the income for their families, that housework had no economic value, and that marriages lasted a lifetime.[30] In the 1930's, when only ten to fifteen percent of married women were wage earners and the divorce rate was approximately one in six or seven,[31] these underlying assumptions may have been valid for most Americans. Today, however, when the majority of married women are in the labor force at any given time, when nearly all women will work outside the home for at least some period in their lives,[32] and when the divorce rate approaches one in two,[33] the assumptions of the 1930's do not apply. Further, our society is now beginning to recognize that marriage is an economic partnership and that, if one partner works in the home, the value of that work contributes to the economic well-being of the marital unit.[34]

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[28] *See, e.g.*, Mathews v. De Castro, 429 U.S. 181 (1976) (due process is not violated by granting benefits to a married woman under 62 with minor children in her care whose husband retires or becomes disabled while at the same time denying such benefits to a divorced woman in similar circumstances); Goldberg v. Weinberger, 546 F.2d 477 (2d Cir. 1976), *cert. denied sub nom.* Goldberg v. Califano, 431 U.S. 937 (1978) (due process is not violated by denial of widow's benefits to widows who remarry before age 60 while continuing such benefits for those who remarry after age 60).

[29] Courts have developed the concept of disparate impact in the context of employment discrimination and have held under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e to 2000e-17 (1976 & Supp.V, 1981), that hiring practices which have a disparate impact on minorities are invalid unless they are job-related. *See* Griggs v. Duke Power Co., 401 U.S. 424 (1971); Comment, *Erasing the "Bottom Line": Connecticut v. Teal*, 6 HARV. WOMEN'S L.J. 175 (1983) at text accompanying notes 10-14 for a discussion of disparate impact. Within the context of the Social Security statutes, however, the pervasive nature of disparate impact problems compels a legislative, rather than judicial, solution.

[30] Statement of Martha Keys, Special Advisor to the Secretary of the Department of Health, Education and Welfare, *House Hearings*, *supra* note 1, at 133. 134.

[31] *See id.*; *see also* CHANGING ROLES, *supra* note 1, at 40–42.

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> The labor-force participation of married women has grown from 17 percent in 1940 to about 47 percent in 1977 and is expected to continue to grow. Of the 96 million workers in the labor force in 1977, 24 million were married women – 25 percent of the paid labor force compared to 9 percent in 1940.... Two-thirds of all women age 25-54 are expected to be in the labor force in 1990 compared with about 55 percent in this age group in 1975.

CHANGING ROLES, *supra* note 1, at 40–41. *See also id.* at 60; CURRENT ISSUES, *supra* note 5, at 80, 81, 88 (Appendix B: Data on Women in the Work Force); Statement of Stanford G. Ross, *House Task Force Hearings*, *supra* note 1, at 15.

What, then, are the specific problems faced by the women, men, and families of the 1980's who are confronted with a Social Security system designed in the 1930's? The following case studies are by no means an exhaustive review of the possible problems faced by women under the Social Security system, but are offered to illustrate some of the more common problems encountered.

THE SOCIAL SECURITY SYSTEM IN OPERATION: CASE STUDIES IN THE INEQUITY AND INADEQUACY OF MANY WOMEN'S BENEFITS

> Ann A. was employed for four years as a department store clerk. She left the paid work force for fifteen years to raise her family and then returned to paid employment for twenty years. Her husband was employed as a steelworker. When Ann retired, she found that her dependent's benefits—which amounted to fifty percent of the benefits due her husband on his earnings record—were higher than those she had accumulated during her own paid employment. She receives no additional benefits for the years that she paid into the Social Security system through her taxes.

This is one of the most pervasive inequities of the Social Security system. Upon retirement, women who have moved in and out of the labor force because of homemaking and child-bearing responsibilities often find that their dependent's benefits, which are available through their husbands' earnings records, are higher than their own earned benefits.[35] That is, such women receive the same benefit they would have received had they never worked and never paid into the system. Understandably, this is a source of considerable dissatisfaction, particularly among lower and middle income couples who feel that they could have put wives' Social Security contributions to use as take-home pay to provide for their families. In effect, under the current system, women who move in and out of the paid labor force subsidize the system by their contributions.

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[33] *See* CHANGING ROLES, *supra* note 1, at 41; Statement of Stanford G. Ross, *House Task Force Hearings*, *supra* note 1, at 15.

[34] *See generally* S. BURNS, THE HOUSEHOLD ECONOMY (1975).

[35] A wife who has worked outside the home may receive benefits based on her own wage-earning record or a dependent's benefit of 50% of her husband's benefit, but may not receive both. 42 U.S.C. § 402(b)(2) & (q)(3) (1976); *see also* 20 C.F.R. §§ 404.333, 404.407(c) (1982). Of those women receiving dependent's benefits in 1976, approximately 1.8 million were entitled to benefits based on their earnings. *See* CHANGING ROLES, *supra* note 1, at 43. This figure will continue to rise as more women enter the labor force. *See supra* note 30 .

A woman's dependent's benefit may be higher than her earned benefit for at least two reasons. First, because of employment and wage discrimination, women earn approximately sixty cents for every dollar earned by men.[36] Therefore, the wage rates upon which a woman's earned retirement benefits are predicated are likely to be substantially lower than her husband's simply because she is a woman. Sex discrimination in employment and wages is thus perpetuated into retirement. A second element of benefit computation that hurts women who move in and out of paid employment is the averaging of lifetime earnings over the so-called "worklife expectancy." When a female worker's earnings are averaged across those years during which she earned no money as a homemaker, lifetime earnings, upon which the benefit level is based, are reduced.[37] Thus, a wage-earning wife's so-called "dependent's benefit," which is fifty percent of her husband's benefit, may well be higher than her own earned benefit.

> Barbara B. and her husband Bill both retired recently. Barbara had worked outside of the home for the majority of her adult life, and the average monthly wage from which her benefits were

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[36] This distinction occurs even when differences in education, employment history, and experience are standardized. U.S. COMMISSION ON CIVIL RIGHTS, SOCIAL INDICATORS OF EQUALITY FOR MINORITIES AND WOMEN, 65 (1978). *See also* CURRENT ISSUES, *supra* note 5, at 11, 82–83; J. NORWOOD & E. WALDMAN, WOMEN IN THE LABOR FORCE: SOME NEW DATA SERIES, *reprinted in House Task Force Hearings*, *supra* note 1, at Vol. 2, Appendix I, 5 (earnings gap has widened in past years: in 1939, women earned 58 cents for every dollar earned by men; in 1956, the figure had risen to 63 cents, but in 1982, despite advances in educational and training attainments by women, the median had fallen to about 59 cents); Mellor and Stamas, *Usual Weekly Earnings: Another Look at Intergroup Differences and Basic Trends*, 105 MONTHLY LAB. REV. Apr. 1982, at 15, 16.

[37] *But cf.* Califano v. Webster, 430 U.S. 313 (1977) (per curiam) (approving benefit calculation system, in effect from 1956 to 1972, that favored retired female workers; legislative history indicated that adoption of system was at least in part to remedy wage discrimination).

For an excellent explanation of benefit computation, the averaging of monthly earnings over a work-life span and the problems created by these methods, see Blumberg, *Adult Derivative Benefits in Social Security*, 32 STAN. L. REV. 233, 235–36 n.11, 240 n.29 and 243–46 (1980). *See also* CHANGING ROLES, *supra* note 1, at 61, Table 3; Statement of Robert J. Myers, *House Task Force Hearings*, *supra* note 1, at 201–210.

> computed was $250. Bill's average monthly wage was $500. Their retirement benefits are, respectively, $225 and $307 per month, for a total of $532 per month for their household. Barbara and Bill live next door to Connie and Charles C. Charles recently retired, having attained an average monthly wage of $750 over his work history. Connie worked outside the home only briefly after their marriage. Charles' retirement benefit is $387 and Connie, as a dependent wife, is entitled to fifty percent of that amount, or $193. Their total benefit is thus $580, or $48 per month more than Barbara and Bill's combined benefit. This is the case despite the fact that the two couples earned the same total amounts over their work lives and had the same total average monthly wage. Upon the death of a spouse in these households, this inequity is compounded. The survivor of Barbara and Bill's marriage will receive the larger of the two accrued benefits, or $307. The survivor of Connie and Charles' marriage will receive $387, the primary benefit of the wage earner.[38]

This example illustrates one of the most glaring inconsistencies in the Social Security system—one that is of increasing significance as many more women enter the paid labor force. As the above comparison shows, a two-earner couple with the same total income as a one-earner couple receives less in total retirement benefits than the one-earner couple.[39] As indicated, this disparity in benefits is only compounded on the death of a spouse.[40] Because of the "tilt" in the benefit formula, the most glaring inequity of this type occurs when the earnings of the two members of the two-earner couple are fairly high and roughly equal: two such persons will receive a substantially lower total benefit than will the one-earner couple in which the sole wage earner earned as much as the two other wage earners combined.[41]

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[38] Benefit levels in this example were calculated at 1983 levels. *See generally* CCH, 1983 SOCIAL SECURITY BENEFITS (Jan. 1, 1983), at 4-16. Prior to 1981, benefit disparity between the couples would have been even more marked.

[39] This assumes that the members of the two-earner couple do not have greatly disparate incomes, *i.e.*, that the lower earner receives a higher earned benefit than dependent's benefit. This is the case in the example of Barbara and Bill; Barbara is the lower wage earner, but is better off with her own earned benefit of $225 than with a dependent's benefit (50% of Bill's benefit of $307.00, or $153.50).

[40] A widow is eligible to receive 100% of her deceased husband's benefit. 42 U.S.C. § 402(e)(2)(A) (1976 & 1982 Supp.); 20 C.F.R. § 404.338 (1982).

[41] *See supra* note 37. The opposite effect—where the two-earner couple receives greater benefits than the one-earner couple—occurs only at the extreme highs and lows of the benefit table and is therefore infrequent. *See* Blumberg, *supra* note 37, at 246–51.

This example also illustrates the fallacy of claims that the fifty percent dependent's benefit is an acceptable surrogate for explicit recognition by the Social Security system of the economic value of homemaking services. To follow this theory through to its logical conclusion, it must be taken to mean that the only accurate measure of value of a homemaker's services is the income earned by her husband, and that wage-earning wives who earned sufficient wages to elect their own earned retirement benefits over their dependent's benefits performed no homemaking services of any value.

> Delores D., an elementary school teacher until her retirement, never married. She has been the sole support of her younger mentally handicapped sister for the past twenty years. Delores receives Social Security benefits through her own account. Her sister, although she is Delores' dependent in every sense, is not eligible for any dependent's or survivor's benefits through Delores. Delores is struggling to support two people on her limited retirement income and is concerned about her sister's financial welfare should Delores predecease her.

Simply put, the Social Security system provides greater protection for the married wage earner with a dependent spouse than for a single worker with a comparable income, despite the fact that both pay into the system at the same rate.

Because of the fifty percent dependent spouse's benefit, the married couple receives 150% of the benefit received by the single worker.[42] The dependent's benefit extends to eligible spouses, children and, under certain circumstances, to grandchildren and aged dependent parents of the worker.[43] It does not, however, extend to other dependents or relatives such as Delores' sister in the above example. This distinction seems arbitrary at best. If the system's intent is to provide for those who are financially dependent on the household's wage earner, the limitation to certain set familial relationships is over-inclusive of some "dependents" who are not actually financially dependent on the wage earner and, more painfully, is under-inclusive of those in need of dependent's benefits and unfair to single workers who might choose to allocate those benefits to dependent relatives.

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[42] *See supra* note 35.

[43] 42 U.S.C. § 402(h) (1976). *See generally* H. McCormick, Social Security Claims and Procedures 187 (2d ed. 1978).

> Elizabeth E. practiced law for five years before leaving the labor force upon the birth of her first child. In the next five years, she was essentially a homemaker; she had another child and did part-time volunteer legal work. During her sixth year away from the paid labor force, just prior to her planned return to full-time paid employment, severe illness left her permanently disabled and unable to work in or outside the home. Elizabeth was not eligible for disability benefits because she had not been employed for twenty of the last forty quarters (five of the last ten years) prior to her illness. A year later, when she died as a result of her illness, her family was not eligible for any survivor's benefits.

Two major problems with the Social Security system are illustrated by this case study. First, the system denies disability payments to those who are out of the paid labor force for more than five years,[44] despite the fact that many such persons have a prior work history and would, had the disability not occurred, almost certainly have returned to paid employment.[45] Disability benefits are denied solely because the disabling event occurs in a woman's homemaking phase, rather than during earlier or later paid employment, despite the fact that the onset of disability represents a future income loss to the family.

Even apart from the issue of a female wage earner's eligibility for disability benefits through paid employment, the disability or death of any homemaker works an economic hardship on a family that is not recognized by the Social Security system. Because the system accords no economic value to homemaking, no survivor's or dependent's benefits are paid to "replace" the disabled or deceased homemaker's services. In reality, of course, replacement of a homemaker's services is of considerable economic significance to her family.[46]

> Frances F., forty-nine years old, was widowed last year. She had worked as a grocery clerk until her mid-twenties, but has

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[44] 42 U.S.C. § 423(c)(1)(B)(i) (1976). *See* CHANGING ROLES, *supra* note 1, at Vol. II, 65–66.

[45] *See* CHANGING ROLES, *supra* note 1, at 26–28.

[46] This value has long been recognized in personal injury and death actions, *see, e.g.*, Legare v. United States, 195 F. Supp. 557 (S.D. Fla. 1961); Fabrizi v. Griffin, 162 F. Supp. 276 (W.D. Pa. 1958), *aff'd sub nom.* Fabrizi v. Kramer Bros. Freight Lines, 261 F.2d 594 (3d Cir. 1958).

> been a homemaker since then. At the time of her husband's death, their three children were aged twenty-six, twenty-three, and fifteen. The youngest child was therefore eligible for survivor's benefits under the provision that pays benefits to children under age eighteen. Because she had in her care a dependent child who was entitled to the children's benefits, Frances received the mother's benefit – equal to seventy-five percent of her husband's retirement benefit -- for the year following her husband's death. When her youngest child turned sixteen, however, Frances' mother's benefit terminated. At age forty-nine, with virtually no work history, she will not be eligible to receive dependent's benefits through her husband's account until she reaches retirement age.

This is one example of the so-called "widow's gap." Essentially, the economically dependent widow is eligible for benefits through her husband's account during two periods, first when she has dependent children under sixteen in her care who are eligible for a surviving child's benefit,[47] and later when she reaches age sixty.[48] In the intervening period, she is ineligible to draw on her husband's account unless she is at least fifty years old and disabled.[49] As pointed out by one expert, this gap is especially difficult for the older widow and for the younger widow with small children.[50] For example, if a dependent wife with no job skills is widowed at age fifty-eight, her chances of obtaining gainful employment that would provide adequate support are low, and any investment in job training is likely to be cost-inefficient given her short projected worklife.[51] The younger widow with dependent children faces another dilemma: because the receipt of any earnings over $4,920 serves to decrease her mother's benefit at the rate of one dollar for every two dollars earned,[52] Social Security law can effectively deter her from seeking paid employment while her children are under age sixteen. The young widow is thus discouraged from beginning employment that would help to see her through the cessation of her mother's benefit.

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[47] *See* 42 U.S.C. § 402(b)(1)(B), (s)(1) (1976 & 1982 Supp.). This section was amended by the Omnibus Reconciliation Act of 1981, Pub. L. No. 97-35, § 2205(a)(1), 95 Stat. 357 (Aug. 13, 1981) to lower from 18 to 16 the age of a child that would trigger payment of a mother's benefit.

[48] *See* 42 U.S.C. § 402(e) and (g) (1976).

[49] *See* 42 U.S.C. § 402(e)(1)(B)(i); *see also* CHANGING ROLES, *supra* note 1, at 48–49.

[50] *See* Blumberg, *supra* note 37, at 253–56.

[51] *See generally* CHANGING ROLES, *supra* note 1, at 64.

[52] *See* 42 U.S.C. § 403(f) (1976); 20 C.F.R. §§ 404.415, 404.416 (1982).

> Gloria G., age seventy-eight, is a widow receiving dependent's benefits through her husband's account. Her husband, who had been employed as a salesman, died in 1958 when Gloria was fifty-six years old. Because her living expenses exhausted the couple's small savings during the four years after her husband's death, Gloria was forced to claim her widow's benefits at age sixty instead of waiting until age sixty-five. By claiming early, Gloria receives a reduced benefit. Her monthly Social Security benefit, which is her only income, is $185 per month.

For a number of reasons, the aged widow is the hardest hit by the Social Security system. She is least likely to be employable because of her advanced age. In addition, because her productive years occurred at a time when paid employment for married women was much less common than it is today, she is less likely than a younger woman to have job skills. Most importantly, the benefit paid to an elderly widow is often inadequate because, although it is updated to keep pace with inflation, it is premised on her husband's earnings of many years ago, at wage rates far lower than those that prevail today.[53] Also, because the benefit level is keyed to an update of wages only up until the husband's death, and is adjusted thereafter on the basis of price increases, it has in the past been the case that a widow who attains retirement age some years after the death of her husband finds that her benefit level is related more closely to the standard of living at the time of her husband's death than to a current standard.[54]

The longer a widow survives her husband, the more diluted her financial position becomes. Savings and insurance benefits, if any, are exhausted or eroded by inflation. Because most women marry men who are their seniors, and because the life expectancy of women is longer than that of men, the average length of widowhood in the United States is eighteen years.[55]

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[53] Campbell, *Income Maintenance*, in THE DIRECTION OF FEDERAL LEGISLATION AFFECTING WOMEN OVER FORTY, at 101 (Block, ed., Nat'l Policy Center on Women and Aging, Univ. of Md. 1981).

[54] CHANGING ROLES, *supra* note 1, at 62-63, and at Appendix C 198-213; Letter from Laurie Shields, Exec. Dir. of Older Women's League, *Senate Hearings*, *supra* note 1, at Appendix 2, 92-102. This indexing phenomenon has not held true in the recent period of double-digit inflation in the price index; in more normal economic periods, however, it has been the case that the wage index has out-paced the price index.

If a widow is forced to claim her widow's benefits at age sixty instead of age sixty-five in order to gain sufficient income, this early election causes a permanent reduction in her benefit level to 71.5% of the amount she would have received had she been able to wait to attain age sixty-five.[56] According to one author, financial hardship forces about seventy percent of early (under age sixty-five) widows to claim benefits before reaching age sixty-five.[57] This situation is only exacerbated by the fact that few aged widows receive benefits through private pension plans.[58] Although the Social Security benefit was never intended to provide the sole source of retirement income, it is likely to be just that for the aged widow. This high-level long-term dependency on an often insufficient benefit is shown in stark statistical reality: approximately seventy percent of the poor are women, and the aged widow, with a median annual income of approximately $3,000, is the poorest of the poor.[59]

> Helen H. was married at age twenty-four and left the paid work force at age twenty-six to become a homemaker. She was divorced after nine years of marriage. Helen will receive no retirement benefits through her ex-husband's account and no survivor's benefits in the event that he should die before she does.

Under current law, a marriage must last at least ten years in order for a divorced woman to be eligible for benefits through her ex-husband's account.[60] If divorced before that time, she has no claim to such benefits. This duration-of-marriage requirement has a number of inherent problems: first, the requirement fails to recognize the economic value of a homemaker's contribution to family life and to a spouse's career and future earning power. It also accounts for demographic and economic reality in a harsh manner: divorce most often occurs before ten years of marriage,[61] a period during which a dependent wife might otherwise be taking important career training steps or building her own employment record. The lack of entitlement only exacerbates other financial problems of the divorced dependent woman; for example, only minimal percentages of all alimony and child support awarded by courts is in fact ever paid.[62] In addition, if the marriage has produced children, the dependent wife divorced before the ten year limit is most likely to have custody,[63] a factor that may prevent her from embarking upon job training or paid employment that could help her attain a wage record to generate an adequate earned retirement account.

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[55] Campbell, *supra* note 53, at 89.

[56] 20 C.F.R. § 404.410 (1982). At age 62, this amount increases to about 81.5%, where it remains permanently. 20 C.F.R. § 404.338 (1982).

[57] Campbell, *supra* note 53, at 101.

[58] *See* CURRENT ISSUES, *supra* note 5, at 3, 11–12, 41–51 (only 21% of women who have been employed have pension entitlement; median pension income for women was $1,200 per year in 1972; since many plans require 10 years of service before benefits vest, many women are not eligible because they do not work a long enough period for any one employer).

[59] CURRENT ISSUES, *supra* note 5, at 95, Table 20, *Median Income by Source of Income, Sex and Age: 1977. See also* Blumberg, *supra* note 37, at notes 82 & 83, citing U.S. DEP'T OF HEW, PUB. No. (OHD) 77-20015, at 1, Fowles, *Elderly Widows* (1976) (median annual income for elderly women in 1974 was $2,700; poverty rate for women over age 65 who live alone was 33%); Statement of Eleanor Cutri Smeal, President of the National Organization for Women, *House Hearings*, *supra* note 1, at 104 (median annual income for elderly women in 1979 was $2,813; two of every three poor people are women); Statement of Rep. James M. Shannon, *House Hearings*, *supra* note 1, at 45.

> Isabel I. was divorced at age fifty-one after almost thirty years of marriage. She had practiced her profession of nursing during the first few years of marriage, then left the paid work force for nearly twenty-five years to raise her family and help her husband in his small plumbing supply business. She was not a regular paid employee of the business, but "filled in" intermittently in a number of employee roles. When Isabel and her husband divorced, she was awarded temporary alimony, amounting to $3,000 per year for a period of three years. She obtained retraining and relicensure as a nurse and went back to work. When Isabel reached retirement age, she attempted to claim

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[60] Social Security Amendments of 1977, Pub. L. No. 95-216, § 337, 91 Stat. 1548 (codified at 42 U.S.C. §§ 402(b), 416(d) (1979)) (effective as of 1979). From 1965 to 1979, the statute required a 20 year duration of marriage to qualify. Prior to 1965, an ex-wife was not eligible for dependent's benefits through her wage-earning husband's account. *See* Social Security Amendments of 1965, Pub. L. No. 89-97, § 308, 79 Stat. 375 (20 year requirement).

[61] *See* Blumberg, *supra* note 37, at 257, citing Glick & Norton, *Marrying, Divorcing and Living Together in the U.S. Today*, Population Bull., Oct. 1977, at 5 (median time between first marriage and divorce is 7.3 years); Testimony of Mary Falvey, Member of National Advisory Council on Social Security, *Senate Hearings*, *supra* note 1, at 55 (about two-thirds of divorces occur after less than 10 years of marriage).

[62] *See* Statement of Rep. Mary Rose Oakar, *Senate Hearings*, *supra* note 1, at 8. *See generally* Hunter, *Child Support Law and Policy: Systematic Imposition of Child Care Costs on Women*, 6 Harv. Women's L.J. 1 (1983).

[63] *Cf.* Changing Roles, *supra* note 1, at 41–42.

> dependent's benefits through her ex-husband's account because her own employment history was relatively short and would have provided inadequate benefits. She found, however, that despite the fact that her husband had reached retirement age, he was in fact only semi-retired from his business and was drawing sufficient income to diminish sharply his retirement benefits. Although Isabel does not receive any of his supplemental income through alimony, her benefit level—set at fifty percent of her ex-husband's—is completely contingent on his. That is, Isabel is eligible to receive fifty percent of her husband's diminished benefit, not fifty percent of his full entitlement. The benefit total is considerably less than she had expected, and is insufficient to maintain an adequate standard of living. Isabel may not receive both her diminished dependent's benefit and her own earned retirement benefit, but can receive only the higher of the two inadequate sums.

Even assuming that a dependent divorced woman has been married the requisite ten years to qualify for dependent's benefits through her ex-husband's account, she faces substantial problems with the Social Security system. One basic problem is that the divorced dependent wife, like the married dependent wife who is still living with her husband, receives fifty percent of her husband's benefit.[64] This means that the husband and wife in an intact marriage share in 150% of the husband's earned benefits, while the divorced wife living alone receives a straight fifty percent, an amount that may be insufficient to maintain an adequate standard of living. This is compounded by the fact that the divorced woman living alone does not have the advantage of the economies of scale in living expenses that a married couple enjoys.

It might be posited that this benefit plan is designed to discourage divorce and encourage the maintenance of marriage. Realistically, it is dubious that such factors have much effect on the decision to dissolve or maintain a marriage. Moreover, the low benefit is imprecise and discriminatory as a social policy tool in that it punishes only one member of the divorced couple, the previously dependent wife, while allowing the wage-earning husband to collect the full 100% of his benefit.

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[64] 42 U.S.C. §§ 402(b)(1,2), 416(d) (1979). Statement of Stanford G. Ross, *House Hearings, supra* note 1, at Appendix 1, 223 (50% amount was intended to supplement wage-earner's 100% benefit, not to support person living alone).

A second aberration in the treatment of the divorced dependent woman is that she is totally at the mercy of her ex-husband's employment decisions. As illustrated in the example above, an ex-husband's unilateral decision to delay retirement or to continue to generate post-retirement income can preclude or diminish his ex-wife's benefit level.[65]

A further anomaly is seen in the treatment of the divorced dependent woman who has care of a child eligible for Social Security benefits through the wage-earning father's account. If the father dies, becomes disabled, or retires, a *current* wife may receive the mother's benefit for so long as the child is eligible for benefits.[66] A divorced woman whose ex-husband becomes disabled or retires, however, may not receive a mother's benefit concordant with her eligible child's benefit.[67] Her benefits begin only upon her attainment of retirement age and upon the satisfaction of one of two other conditions: her ex-husband must either have chosen to retire or have died.[68]

PROPOSALS FOR CHANGE

This litany of problems faced by women under the Social Security system points out its major structural defects, particularly in the operation of the dependent's benefit. The range of benefit inequities and inadequacies described above, however, also reveals the complexity of constructing a new system that deals fairly with all beneficiaries. It will be difficult to provide adequately for each of the various situations and for the many other problems not illustrated by these examples.

A major initial step in reform of the system would be the institution of an "earnings sharing" approach to benefit division. Various forms and versions of earnings sharing have been proposed;[69] the concept, generally, is that each spouse would receive credit for and share equally in the earnings credits accumulated by both spouses during the marriage. This equal sharing would be the basis for computation of retirement and disability benefits.

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[65] 42 U.S.C. § 403(b)–(f) (1976).

[66] 42 U.S.C. § 402(b)(1)(B) (1976).

[67] *Id.*, and 42 U.S.C. § 402(g)(1) (1976).

[68] 42 U.S.C. §§ 403(b)–(f) (1976).

[69] NATIONAL COMMISSION REPORT, *supra* note 4, at Appendix K, 43; *see also House Task Force Hearings*, *supra* note 1, at Vol. II, Appendix II, 13–39.

If a couple were to divorce, earnings sharing would cease, but credits accrued to that point would remain with each partner. The survivor of an intact marriage would be credited with 100% of the combined total wages for the period of the marriage. The philosophy underlying the shared earnings plan is that marriage is an economic partnership, and, therefore, that earnings records developed during the course of a marriage should belong jointly to both spouses. This protects both the surviving spouse of an intact marriage and the divorcee. As pointed out by Commissioner Mary Falvey Fuller in her Supplementary Statement to the National Commission Report, the "conceptual precedent" of earnings sharing is the now well-tested law of community property.[70]

Other reform proposals made by the National Commission would target those specific provisions of Social Security law that, although not gender-based discriminations *per se*, have the type of disparate impact on women that is illustrated by the above case studies. For example, the National Commission recommends, *inter alia*, that dependent's benefits for otherwise eligible divorced spouses be payable at age sixty-two if the former spouse is *eligible* for benefits, even if such former spouse is still a wage earner or otherwise not *claiming* full benefits. The Commission also proposed that deferred surviving spouse benefits be indexed by increases in wages, not prices, after the death of the worker. This change would alleviate the problem of widow's benefits being keyed to the standard of living more closely related to that at the time of her husband's death. Disabled dependent survivors under age sixty would also be aided by the Commission's recommendation that they be entitled to receive a larger share of the deceased wage earner's benefit.[71]

More comprehensive reforms have been proposed by Congresswoman Mary Rose Oakar, for example, the inheritance of earnings credits by a surviving spouse (to permit "tacking" of earnings records),[72] a "transition benefit" plan to assist the over-age-fifty dependent spouse in moving into the labor force,[73] and a proposal to provide benefits for the older divorced spouse of a late marriage who would otherwise be ineligible because of the duration-of-marriage requirement.[74]

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[70] NATIONAL COMMISSION REPORT, *supra* note 4, at Statement (9), 3.

[71] NATIONAL COMMISSION REPORT, *supra* note 4, at 2-12, 2-13.

[72] *See House Hearings*, *supra* note 1, at 42-43.

[73] *Id.* at 41.

[74] *Id.* at 42.

This set of proposals is by no means comprehensive, but represents a beginning step toward improvement of the Social Security system. It is important that the impetus for careful reform, which has come largely from recipients, not be lost in the enormous task of correcting the system. In light of the current financial crisis of the Social Security system, it is also crucial to address the question of what methods may best be used to finance any additional or improved benefit plans.

CONCLUSION

In 1983, the Social Security system will pay approximately 170 billion dollars in benefits to some thirty-six million people, fifty-two percent of whom are women.[75] The case studies and proposals set forth above are by no means a comprehensive chronicle of the problems that affect that majority, but do highlight some of the changes that are needed and could be accomplished within the context of current fiscal reform.

All of the beneficiaries of our Social Security system are entitled to dignity and recognition from the system that they helped to build. The value of women's contributions to American society, whether as wage earners or homemakers, must be accorded its worth, and fundamental changes must be made in order to minimize the discord between our professed values and rhetoric and the reality of our Social Security system.

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[75] Congressional Research Service, 1982.

Ms. Oakar. Thank you, Mary Jean, and I know NOW is having a very important conference here in Washington next week and that is one of your issues that I am going to be one of your panelists.

Ms. Collins. Yes, you are indeed.

Ms. Oakar. It's a pleasure to see you so active in that issue and in other issues.

Catherine, we are happy to have you here as well.

STATEMENT OF CATHERINE EAST

Ms. East. Thank you. I am very pleased to be here. I would like to comment before starting my testimony, on the point raised by Congressman Daub.

Ms. Oakar. He will be back in a second. Maybe you would like to comment when he is here.

Ms. East. Well, Madam Chair and members of the task force, the National Women's Political Caucus congratulates you on holding these hearings and appreciates the invitation to appear. Our Chair, Kathy Wilson, regrets that she cannot appear in person, as she is in California on caucus business. I am Catherine East, legislative director, speaking in her behalf. Of course, as it has been pointed out here, one of the primary reasons for the disproportionate number of older women that are in poverty is that our laws have not accorded any value to the role of homemaker, except in a few community property States.

The women's movement, from its earliest beginnings in this Nation, has sought as one of its primary goals economic, legal and social equality in marriage. The mainstream of the movement throughout its long history has never advocated that all women should be employed outside the home, only that the paid and unpaid work of women be accorded equal value.

Elizabeth Cady Stanton in 1870 envisioned women "as an independent equal partner with man in the state, the church and the home".

All Presidential advisory commissions on women's status, both those appointed by Democratic Presidents and those appointed by Republican Presidents, from the Kennedy Commission in 1963 to the IWY Commission in 1976, have advocated laws which recognize marriage as an economic partnership. There was never much publicity given to that, but that was always one of the main recommendations.

The delegates to the National Women's Conference at Houston in 1977, who were elected at open meetings in every State and territory, and represented all of the women's organizations concerned with advancement of the status of women, adopted a recommendation that the homemaker be covered in her own right under social security and that the Secretary of Health, Education and Welfare be directed to give a high priority to developing an administration proposal for achieving this purpose. All of the organizations concerned with women's status support this principle, which I believe you can see from those that are here, as well as church groups and others.

Though there has always been beautiful rhetoric from political and intellectual leaders about the value of homemaking and the rearing of children, the words did not begin to be translated into action in the domestic relations laws of the States or the Social Security Act at the Federal level until the women in the State legislatures and the Congress, aided and encouraged by the women's movement, assumed the leadership in reform. Even so, reform has been slow in coming—slower than in many other institutions in our society.

The National Women's Political Caucus has a special interest in reforms in social security law. Our primary goal is to increase the number of women in elective and appointive office. That is, women who support the goals of the women's movement. Of course, one of the reasons we do this is that we have observed that the reforms on these issues come from the women members of State legislatures and Congress.

Most women in elective office, not including school boards, have no other occupation outside the home. The Center for American women in politics at Rutgers University found in a 1981 survey that only about one-third of the women in elective office were currently employed outside the home, either full time or part time, in addition to elective office.

In some States the salary earned as an officeholder is not covered by social security. If reforms are not made soon in the system, some of these women who have devoted their lives to public service as homemakers, volunteers in civic endeavors and as officeholders, will face an old age without even minimal economic protection. While the caucus has made no demographic survey of membership, we suspect that most of our members are married women who will have earned benefits that are less than their dependents' benefits.

It's has always been amazing to me, as I have been a strong advocate of the ERA and have debated it frequently, that while the feminists and the pro-ERA people consistently recognize the homemaker's role as being equal in value with that of the providing spouse, the opponents of ERA have assumed that it has no value. It has always been puzzling and surprising that the Eagle Forum, who claim to represent homemakers—Phylis Shafley—many of her arguments against the ERA are based on the assumption that the homemaker has no value. She alleged that the ERA would require homemakers to contribute half of the monetary income, that it would force them into the labor force.

The proponents, of course, backed up by the intent of Congress, as expressed in the legislative history, argued that the homemaker's role would be accorded equal value and that the ERA would provide great benefits for the homemaker, both in domestic relations law and in social security law.

It has been well documented here and in other places that a disproportionate number of elderly women are living in poverty. I won't repeat the data that are well known to members of this task force. It is clear that the major contributing factors are the failure of our society to provide legal and economic equality for women who work inside the home, women who work outside the home and women who combine both.

Congresswoman Oakar's bill, H.R. 2742, is a major step forward in addressing changes needed in the current social security old age and survivor's insurance program to bring it into accord with the principle that marriage is an economic partnership in which both partners contribute equally. We thank her for her leadership in this vital area and the sponsors for their support. We support H.R. 2742.

[The prepared statement of Ms. East follows:]

Prepared Statement of Catherine East, Legislative Director, National Women's Political Caucus

Madam Chair and Members of the Task Force, The National Women's Political Caucus congratulates you on holding these hearings and appreciates the invitation to appear. Our Chair, Kathy Wilson, regrets that she cannot appear in person, as she is in California on Caucus business.

I am Catherine East, Legislative Director, speaking in her behalf.

The women's movement, from its earliest beginnings in this nation, has sought as one of its primary goals, economic, legal, and social equality in marriage. The mainstream of the movement throughout its long history, has never advocated that all women should be employed outside the home—only that the paid and unpaid work of women be accorded equal value.

Elizabeth Candy Stanton in 1870 envisioned women as an "independent, equal partner with man in the State, the church, and the home."

The President's Commission on the Status of Women in 1963 saw "marriage as a partnership in which each spouse makes a different but equally important contribution" with each spouse having a "legally defined substantial right" in the earnings of the other, in the property acquired during marriage, and in their management.

The National Commission on the Observance of International Women's Year said in 1976 "The Social Security Act, and until recently its amendments, have reflected the prevailing image of the homemaker as an appendage of the husband—not a fully equal partner. Had she been considered an equal partner, the system would have credited her with half the benefits accruing from her husband's coverage with a right to keep the accrual at divorce or at early widowhood."

The Commission recommended that "the homemaker be covered in her own right under social security to provide income security for the risks of old age, disability, and death . . ." and "that the Secretary of Health, Education, and Welfare be directed to give a high priority to developing an administration proposal for achieving this purpose."

The IWY Commission also pointed out the inequities of the wife who is employed outside the home for part of her life and full time in the home for part.

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Congresswoman Oakar's bill, H.R. 2742, is a major step forward in addressing changes needed in the current Social Security Old Age and Survivors Insurance Program to bring it into accord with the principle that marriage is an economic partnership in which both spouses contribute equally. We thank her for her leadership in this vital area and the sponsors for their support. We support H.R. 2742.

Ms. EAST. Congressman Daub, I wanted to mention the article in the Post.

Mr. DAUB. Yes.

Ms. EAST. I noticed it said that they surveyed only employers with 250 or more employees. I don't know what proportion of the labor force is employed by employers of fewer than that, I suspect a considerable proportion.

Mr. DAUB. About 60, as a matter of fact.

Ms. EAST. And an even higher proportion of the women would be with employers of 250 or less.

Mr. DAUB. There is a distinction on that. It seems more women are engaged in employment by the larger corporate institutions.

Ms. EAST. Pardon?

Mr. DAUB. Women tend to have a higher percentage of employment in the larger business than in the smaller business.

Ms. EAST. Oh, they do?

Mr. DAUB. Yes.

Ms. EAST. I am surprised at that.

Mr. DAUB. The benefits are better. Insurance companies and banks, have had broader and more liberal views, with respect to women employees.

Ms. EAST. Of course, they don't tend to ever collect on those benefits.

Mr. DAUB. That's the big problem.

Ms. EAST. Yes, the insurance companies employed women with the notion that they would be there for 4 or 5 years, collect no benefits and then leave to have children. They didn't provide them with leave for maternity until they were forced to by title VII.

Mr. DAUB. We will talk about that when my turn comes.

Ms. OAKAR. Let me just say that as part of my 5 minutes that next week we are having a very important hearing that relates to pensions and how people, right before they are ready to collect their pension, get cut off from employment, and unfortunately, again, most of these are women. And I remember when I first came on this committee 7 years ago, my first term in office, our committee did do a study on private sessions support. It may be certainly outdated somewhat, but I don't think it's changed dramatically. Only 15 percent of the American population, with our study, had any other form of pension besides the social security insurance program.

So, it seems as if that article is extraordinarily misleading, to say the least.

Mary Jean, yesterday your president testified, as I understand it through my friend, Congresswoman Schroeder, before the Judiciary Committee, on the equal rights amendment. Of course, some of us feel if we had an equal rights amendment we may not have to be here today with respect to correcting the injustices toward social security.

But nonetheless, one of the Members asked her a question. In the asking, I am sure it was a sincere question, but attempted to get a woman's group to pit one issue against the other.

Ms. **Collins**. Right.

Ms. **Oakar**. You know, social security legislation versus the equal rights amendment.

Ms. **Collins**. Right.

Ms. **Oakar**. Is there any competition with respect to your organization's interest, and if not, where does the issue of social security stand with your organization?

Ms. **Collins**. Well, I think there's no conflict at all between supporting your bill on social security and other reforms of the system, and support for the equal rights amendment. In fact, those two positions support each other.

The equal rights amendment, as you rightly point out, would be a clear statement in the Constitution of the United States that the kind of inequities that exist under social security would not be possible under the equal rights amendment. We might, however, still be sitting here debating what form of equity we should institute. We just wouldn't have to debate whether or not it would be instituted. It would be instituted by a mandate of the equal rights amendment, if we had the equal rights amendment.

But the forum would be a discussion that would need to be held by the Congress, in any case.

The social security system, a vast Federal program, is precisely what the equal rights amendment is designed to get at, that cannot be gotten at State by State, which is sometimes the argument made against the amendment, that we should go State by State. We would never reach the social security system.

It is completely consistent and a high priority for our organization to move ahead, not only on the equal rights amendment, but also on economic justice for women. We have a very strong campaign to end discrimination in insurance. Social security represents another piece of the economic situation that women face. I would like to point out, and it is one of those unfortunate statistics that proves the point, that the 59 cents women earn in the workplace continues with them into their retirement, and basically to their death.

Fifty-eight cents, approximately, is what women get under their private pensions. So, we're interested in any reform that would give relief to women instantly. We are now at a point of trying to pass the ERA out of Congress. It's not out yet and it has 7 years in the States. We need to give relief to American women as quickly as we can, and this bill would help to do that.

Ms. **Oakar**. Thank you very much.

One other quick question. What is NOW's position on the dual entitlement provision?

Ms. **Collins**. Well, we look at the dual entitlement provision as a situation where we have lost wages for women, where women are literally paying into the system and not getting a fair return on the wages that they put in.

In fact, we've tried to determine this week what the cost to women was. The figure was that 28 percent of women are dual entitled.

So, we called the Social Security Administration and asked them how much money that represented, and they said that they didn't even keep the information that way and that they had no way to retrieve it. Perhaps one of the things this task force could recommend is that at least the social security system figure out what this is costing women, or what women are paying in versus what they're getting out of the system.

We think, again, that earnings sharing would be a fairer way to calculate womens' contribution to the system and also a fair way to make sure that the money that's coming out of the system is equitably distributed.

Ms. Oakar. Well, that is a very important point and we will do that. I'm amazed that they don't have that answer.

Ms. Collins. It is.

Ms. Oakar. In terms of the contribution of being covered in dual manner.

Catherine, you mentioned that one of the goals of your organization is getting women elected and appointed to positions and you also mentioned that, curiously enough, it's the women in Congress who, very often, are the ones that push forward issues particularly of interest to women. It's a little lonely occasionally having 22 out of 535 Members of Congress, although we depend upon thoughtful men who will support our legislation and initiate legislation that relates to equity. Otherwise, we wouldn't get too far, being so outnumbered.

How do you see your caucus' support for economic reforms such as social security and pension coverage and the whole question of economic justice and equity as a means to getting more women elected into public office?

Ms. East. Well, we won't endorse a candidate, man or woman, who doesn't support our goals. And we feel that only by getting people who support our goals into public office that we're going to achieve them. That became perfectly clear on the battle on the equal rights amendment, that some of the important State legislators who were responsible for its defeat, in the Southern States particularly, where I lobbied, are simply unalterably opposed to equality for women. And the only thing we can do is replace them.

We hope to replace them with women—or men, and we support men—who are in harmony with our goals, and we think these goals are important issues to raise in any election campaign. I think, as Senator Dole said, anyone who doesn't listen to women won't be here long.

Ms. Oakar. Is the social security reform one of the issues and one of the criteria that both organizations use in endorsement?

Ms. East. We definitely would, yes. The equal rights amendment, as Mary Jean said, equal rights amendment, the social security reform, and the Womens' Economic Equity Act are complementary things. If we had the equal rights amendment, Congress would be forced to do some of these things. But we're glad to have them done when they're not forced to.

One of the great benefits of the debate about the equal rights amendment in the States was that much State legislation was reformed as a result of the debate. We've had benefits just from the debate and we're going to continue to work for all our goals, economic goals, independently. After all, if the ERA is ratified, should it be ratified next year, it would be 2 years before it went into effect. We're not willing to wait until the ERA is ratified to achieve the gains that it would require.

Ms. **Oakar**. We would sure have more of a handle on the whole implication of womens' contribution to the trust fund if they could answer your question about dual entitlement.

Ms. **East**. I strongly suspect that a great many of the benefits that were expanded in the sixties, the seventies, and the optimism about the fund that existed until we realized that it was in trouble, came from these extra contributions of women, as middle-aged women same into the labor force, and they came in in increasing numbers through the fifties, sixties, and seventies. They were making contributions from which they would get no return, most of them.

So, it made the social security trust fund look a lot healthier than it was.

Ms. **Oakar**. Well, this is one Member who predicts that there is going to be a huge surplus in the 1990's and if we don't take the trust fund out of the budget—the way that we should have—then that trust fund, which is the second largest pot of money in the budget, can sure be manipulated, and has been, every time they try to decrease benefits. Therefore, you know, I feel that the money is there, when it's a priority, a national priority.

Ms. **East**. Yes.

Ms. **Oakar**. Thank you very much. Mr. Daub?

Mr. **Daub**. We would have a difference of opinion on that point. The labor shortage looming on the horizon and the fact that we have fewer births and fewer deaths, and an aging of our society are factors we all agree with. In fact, we're going to have, if we continue to do what we're doing, a lot more demands on fewer taxpayers.

So, I'm not so sure, in fact, that the actuarial table will say that in the nineties we're going to have this huge source of money.

However, I do agree, and did cosponsor the bill that provided that whatever the amount in this fund should be off line and safe from the indirect collateralizing of other programs. This would prevent this fund from being used to tell the American public that the deficit was less than it really was, because of other spending and other programs. So, I think we agree on the objective. I just don't think all that money is going to be there, like some think.

Let me also pose one thought to you on the ERA, and I am a supporter, I underscore that.

Ms. **Oakar**. We're glad.

Mr. **Daub**. I'm not so sure that the logic is correct. Just because the equal rights amendment exists, I'm not so sure that would force the Congress into having to do all these things on the issue of fairness. You have to go back, it seems to me, on social security, and say then that it doesn't make any difference what you pay in at all. We'll have to change our whole concept of social security. It would no longer be a benefit calculated on what you and/or your employer contribute, plus your average 60 months and 5 years, or your highest wage level, plus the COLA clause, the cost-of-living escalator increase. Those are the three principal things that determine one's social security benefit.

It would seem to me there's a breach of logic if we just, all of a sudden, say that if the equal rights amendment were in effect, we could have all these benefits equalized. I think if that's the objective, then we'll simply need to change our view about how we fund the benefit. So, I just want you to know that I don't see it as easy as maybe you would hope it would be.

Now let me ask you this question: In death we forfeit money we paid to the system. One could claim then, if the surviving spouse wanted to, that because my husband or my wife predeceased me and had all of these credits earned in the higher amount, I ought to get the benefit of what they had earned, in dollars, quarters, or credits. It's unfair on its face, isn't it? A person worked and they paid in but they didn't live long enough to even get out what they paid in. That's unfair.

Ms. EAST. That's something we can't control.

Mr. DAUB. Well, the point, though, is that the tables actuarially have been used, the quarters and the wage levels set, and the payouts have been calculated, yet we think those things are unfair. I want to get to the point on how we pay for this. Do we tax fringe benefits, health insurance? What do we do? Do we raise the payroll tax on the employer and the employee? What's your opinion?

Ms. EAST. Well, I'd like to answer that question that Ms. Quinlan gave. I don't think we know yet what will be the best way, and I don't think it's up to the advocacy groups who don't have the actuaries, who don't have the expertise, to come up with a method of paying for it. That will be a responsibility of Congress, and particularly the committee that is concerned, working with the Social Security Administration and their experts.

Mr. DAUB. But all of your Members pay taxes just like everybody else.

Ms. EAST. I know, but we——

Mr. DAUB. I mean, isn't it a concern that you don't know how to pay for it?

Ms. EAST. Sure, of course. We want to pay for it but we didn't decide how the original social security—you didn't ask us our advice on how the original system would be paid for, and what kind of a system would be set up.

Mr. DAUB. I just wondered if you did have an idea, not that I want to be argumentative about it.

Ms. EAST. No, no, we don't. And I don't think it's our responsibility.

Mr. DAUB. All right, that's fine. Thank you very much.

Ms. COLLINS. Let me just say this about that: There is sometimes a discussion, the whole discussion about cost is an important one, and we acknowledge in our testimony that that question has to be addressed. We acknowledge also that it may cost some money to do this.

But let me just make a general comment that is always raised when we talk about the inequities that women are getting less pay or they are paying more for their insurance, or whatever, that the institution that is the discriminator, whether it's the Federal Government or an insurance company or a corporation, everyone worries about how it is that they are supposed to pay to make up for that inequity that they have been benefiting from all these years, and worries too little, I think, about the fact that every day, every year, that we keep this inequity going, that elderly woman suffers discrimination under the system, and that the cost is now being borne by individuals.

In other words, the cost is there. It's being borne by individuals not having enough food or rent, or whatever, and that that's the context in which we have to look at this. Of course, the system has to pay for this.

We suggested, one, basically throwing out an area where there seems to be one area to look at, the idea of taxing fringe benefits. That is not our position at this point, that that's the sole solution to this. It just was put in there to suggest that there are ways to look at the projection that Congresswoman Oakar feels comfortable with, that the system will actually have a surplus in the nineties. All of this has to be looked at very carefully and we will make the best projection we can.

We are saying don't balance the budget continuously at the expense of women, which is what we see has been done over these many years, that women have been in the work force. This is not new, this statistic that half of the women of 70 years of age spent 20 years in the work force, which we heard today. That means that this problem just didn't happen yesterday, that it is there, that the inequity is there, and that every day that goes by more women go into the work force, pay their own social security benefit, are not getting the same benefit out of the system, and it is crying for reform and a changing.

And it may cost additional revenue and we have to look for that revenue and find a sensible and the fairest way to get it.

Mr. DAUB. That's my point.

Ms. COLLINS. We can't say because there's—because we can't think of revenue—I mean, we're always moving revenue. The U.S. Congress is always appropriating money for something, and the revenue is there in the big pot, and the question is: Will we put enough priority on equity for older women to make the changes necessary in the system? I think that's really the question you are faced with.

Mr. DAUB. I appreciate it. I am looking for those ways, too. I am asking you that question to get the benefit of your thinking. Thank you very much.

Ms. COLLINS. OK.

Ms. OAKAR. Mr. McCain?

Mr. MCCAIN. Thank you, Madam Chairman. I also am interested in the earnings sharing proposal that is so strongly supported, and I will be very interested in Mr. Myers' testimony. In his prepared statement, Mr. Myers states:

> I know of no person, female or male, who has a thorough administrative aspect of the OASDI System who believes that it is feasible to drastically revise the program in this manner.

I am anxious to hear his response to this claim.

Also, most people who advocate a certain measure generally should have, I believe, some responsibility for finding out how much that measure costs as far as the taxpayer is concerned. One of the problems voiced to me by working women in my district is the ever-increasing amount of their salary that is going into social security taxes.

As far as the money in the trust fund being in abundance in the 1990's, I certainly would not want to dispute the wisdom of our very knowledgeable chairwoman, but if there is a surplus, it will be the first time in any program of this nature that we have underestimated rather than overestimated. And in addition to that, we have a problem with the medicare trust fund, which is, of course, estimated to have a $400 billion deficit by, I believe, 1992.

So I would again ask, and I hope without being too repetitious, that at some time, if you could provide this committee—maybe when we have more information—as to costing, if you all would provide this committee with methods that we could employ to raise the necessary revenues. And I am not sure that because the Congress appropriates money—at least in the opinion of this Member—with all too alarming frequency that that is the proper answer either.

Ms. EAST. Well, I hope the Health and Human Services survey will lay out the options. That's one of the purposes. The IWY Commission recommended that the Department make such a study. We recognize that there is no one really who has not had experience in that system or experience in a similar system, who understands it well enough to come up with a proposal for how to amend it and what the options are for financing it.

So I hope that that group will come up with both and I am sure they will.

Ms. COLLINS. I think all of the organizations that have spoken here would be happy to comment as alternative possibilities of resources are developed. What I think we are saying to you is the women we represent are unwilling to continue to carry this burden alone. We want equity under the system. We are unwilling to subsidize the system and receive an unfair benefit. That's important information for you, too, because we do represent taxpayers. The women we represent are simply unwilling to go on paying in twice as much and getting out single benefits. That's important information for the committee to have, too.

Mr. MCCAIN. Well, thank you very much.

Ms. OAKAR. Thank you very much, Congressman. Some of the information is in the Commission report concerning the surplus in various decades.

Mr. MCCAIN. If the gentlelady would yield 1 second, I saw studies in the sixties that also said the same thing about the condition of the program in the eighties which were, obviously, also based on false economic assumptions, among other things. So it is not that I am disagreeing, but I think we should look at it with some skepticism, given the past record of our projections.

Ms. OAKAR. Well, I wasn't suggesting that we necessarily depend solely on the trust fund as it is to correct the inequities. But, I am suggesting that we have plenty of money for lots of other things and if more than 50 percent of the population are in bad economic shape, particularly when they get older, and it is not a priority of this country, then God help us.

I want to thank our witnesses very, very much.

Ms. COLLINS. Thank you.

Ms. **East**. Thank you very much.

Ms. **Oakar**. We have another Member of Congress who would like to briefly testify. Congresswoman Marcy Kaptur from Toledo, Ohio, is here. Congresswoman, thank you very much for being with us and we look forward to your statement.

STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE FROM THE STATE OF OHIO

Ms. **Kaptur**. Thank you, Madam Chairwoman, and I just want to commend you for your leadership on this issue, as not only a Member of Congress, but as the senior Congresswoman from Ohio. And as the junior Congresswoman from Ohio, I am here to support you.

I want to thank you for holding these hearings, for focusing on this issue, and to state that the commitment that you have exhibited as chair of this Task Force on Social Security and Women is most commendable.

Today's hearings play an important first step in insuring that the goals of H.R. 2742, legislation to rectify the inequities in the social security system, will be accomplished and I am pleased to be a cosponsor of your bill and I want to thank you for the leadership—not only of yourself, but of your task force.

Women are more dependent on social security than their male counterparts and we know that 91 percent of retired women receive social security benefits, while only 10 percent receive private pensions. Women's homemaker status, their traditional status in the home, lower wages in the workplace, and fewer years in the work force than men, have contributed to the lowest benefit levels.

Last week when I was home in my own district, I met with a group of waitresses who work for $2.01 an hour with no benefits. I am constantly reminded of the economic inequities that face women across this country.

Widows, in most instances, cannot receive benefits before age 60 and those who do opt for benefits at age 60 are heavily penalized. Fully 71 percent of elderly citizens living in poverty are women. The system is truly biased against working women. Working spouse's benefits are so low that their earnings have little value.

The rights of divorced women and homemakers need to be reexamined and the system's obvious inequities toward women beneficiaries needs to be addressed.

The Social Security Act Amendments of 1983 liberalized eligibility and computation formulas but did not address the larger inequity issues which you are dealing with. Comprehensive reform is essential, and hopefully, these hearings will pave the groundwork for that.

A system created in the 1930's must be changed to reflect the realities of the 1980's. We owe American women, homemakers and wage earners, widows and divorced women nothing less than adequate and equitable retirement security.

Madam Chairman, I am grateful to you for allowing me to enter these remarks in the record. I do have another engagement that I must be off to shortly and I want to wish you well in these hearings and offer any support that I can in the enactment of legislation that will flow from your work here.

Thank you.

Ms. Oakar. Thank you, Marcy, very much for your statement and for your support. We are very grateful for your figures.

Mr. Daub. Yes; as a matter of fact, they are calculations we haven't had in testimony up to this point in the hearing and we are grateful for them. I appreciate them. Thank you.

Ms. Kaptur. Thank you very much.

Ms. Oakar. Thanks, Marcy.

We are going to ask in the interest of time that the next witnesses come up as a panel and you will all get an opportunity. We have Edith Fierst, who is the Chair of the Technical Committee on Social Security Reform for Women; Louis Enoff, who is the Acting Deputy Commissioner for Programs and Policy, Department of Health and Human Services; Robert Myers, former Chief Actuary, Social Security Administration; Charlotte Luskey, chair, Committee on Aging, the Association of Junior Leagues; and Judith Finn, who is with Eagle Forum.

We would like you all to come up because we want everyone to feel that, whether they are first or last in terms of testifying, every word that you utter we consider very important.

Edith, we know you have a time problem so we are going to start with you, if you don't mind.

PANEL THREE—CONSISTING OF EDITH FIERST, ATTORNEY, CHAIR, TECHNICAL COMMITTEE ON SOCIAL SECURITY REFORM FOR WOMEN; LOUIS ENOFF, ACTING DEPUTY COMMISSIONER FOR PROGRAMS AND POLICY, DEPARTMENT OF HEALTH AND HUMAN SERVICES; ROBERT MYERS, FORMER CHIEF ACTUARY, SOCIAL SECURITY ADMINISTRATION; CHARLOTTE LUSKEY, COMMITTEE ON AGING, THE ASSOCIATION OF JUNIOR LEAGUES, INC., ACCOMPANIED BY GEORGE HASKETT; AND JUDITH FINN, EAGLE FORUM

STATEMENT OF EDITH FIERST

Ms. Fierst. Thank you very much. I appreciate being heard at this time, and I will not read my entire testimony.

Ms. Oakar. Without objection, I will submit the entire testimony for the record. Thank you.

Ms. Fierst. I want to say first of all that I think this is a very exciting meeting. Several years ago, you had another hearing at which I appeared. At that time you, Mary Rose Oakar, were the only Member of Congress who was listening, and there were just a handful of people in the audience. It seemed as though no one was paying any real attention to this problem. Now I see several Members of Congress listening and a roomful of people paying a great deal of attention.

I think the questions that have been raised by several Members, specifically, "How are you going to operate an earning sharing plan, is there an administrative and financially sensible proposal," are very important questions. I believe the proponents of earnings sharing—primarily women, but anybody else who is interested—should help think the problems through. We are capable of doing this. When I left the Government at the beginning of 1981, I had this idea in mind.

Originally, I tried to raise some grant funds to support it, without success. I went ahead and started a group anyway, which is known as the Technical Committee for Social Security Reform for Women. We received our first grant, a small one from AARP, during 1982.

In the beginning there were just a handful of people who came to the meetings. Over time, more people have become interested in what we are doing. Several of the people who were witnesses here earlier, for example, attended as representatives of their organizations or out of personal interested. Representatives of some of the organizations who have testified apparently didn't know about the technical committee, but other people in their organizations do.

Cathy Straggas, who is assisting the chair of this committee, is a regular attendee and a valuable one. A number of people from the Social Security Administration come. Some of them come officially as advisers—we did ask for assistance at the start. Others, both Government and nongovernmental, come because we hold our meetings at lunchtime and anyone is free to express a personal interest.

As time went on, the technical committee members have became more and more concerned about some of the basic questions that you have been asking here related to cost, and also, what would happen to people whose benefits might be changed. If it is necessary to reduce benefits of some recipients to get the requisite funds, we wanted to know how much money we were talking about and what the consequence would be to individuals who are now recipients of social security. We were very fortunate in getting grants from both the Rockefeller and Ford Foundations. The grants have gone to the Urban Institute, which has a computer model of the social security population called Dynasim. The Urban Institute has been testing our ideas and our suggestions Dynasims to see what they would cost and how they would affect people.

You would be very interested and probably surprised to know that the initial from Dynasim showed that the change to earnings sharing, as our group was initially proposing it, would be virtually without cost after the transition period.

The technical committee was very concerned though about how earning sharing would affect different groups in the population, and we have obtained some very interesting data on that. Again, we were pleasantly surprised to learn that the people whose benefits would be raised were, generally speaking, people with low benefits, and the people whose benefits would be cut were, generally speaking, people with higher levels of benefits. This is not a sufficient answer because we want to know more about specific groups. The computer shows what would happen to the beneficiaries with 20 percent highest, 20 percent lowest benefits, and so on by category of recipient, such as widows, widowers, divorced people, retired couples, and so on.

We are not finished yet with our analytical work. The group, I think, has caught fire. A lot of the people who began to come in the early stages thought that we were talking about a will o' the wisp and that earnings sharing would never happen. Now the public is beginning to believe we have a sound proposal to offer to the Congress and to the covered population, which is justifiably concerned, about possible adverse consequences of earnings sharing as well as about possible beneficial consequences.

I am hopeful that next spring we will have a sound proposal. Thank you for giving me this opportunity to appear and describe our work.

[The prepared statement of Ms. Fierst follows:]

PREPARED STATEMENT OF EDITH U. FIERST, CHAIR OF THE TECHNICAL COMMITTEE ON SOCIAL SECURITY REFORM FOR WOMEN

I appreciate this opportunity to present my views to the Task Force on Social Security and Women. Your Chairperson, Mary Rose Oakar, has over the past several years been providing the initiative and leadership to improve social security for women through the invaluable bills she has introduced and hearings she has held. All of us with concerns about Social Security and women are grateful to her.

Social security is the most important element in the security of America's elderly women. For most of those approaching and in old age, it is the principal, if not the only, source of dependable income. Moreover, social security is indexed to the cost of living, thereby insuring against the nightmare of the past when inflation held its greatest threat of disaster to the elderly who had to live on fixed incomes.

For these reasons and others, I believe social security is one of the greatest programs of the U.S. Government. That does not mean, however, that it needs no improvements. Like practically every thing else, Social Security needs constant vigilance and updating to keep it current with the changes in our lives.

In particular, there are four problems in the ways social security serves women that must be solved.

First, under today's law a working wife receives little or no benefit as the result of her work and the taxes she pays. The increase in her benefits from her working, if any, is disproportionate to the effort she has made. This is unfair.

Second, under today's law a divorced homemaker has no entitlement in her own right to a social security benefit, but is entitled only as a dependent of her husband. This means that before he reaches retirement age, no matter how old she is or how great her need, she is ineligible for a retirement benefit. Moreover, so long as he lives, her benefit will be only half the dollar amount of his, while his is untouched. Thus the cost of the divorce falls on her.

Third, under today's law, a woman who has earned an entitlement to social security can lose it by staying home to care for her young children or sick relatives. Although society talks about admiring women who attend to family duties, in fact it socks them with the considerable financial risk of doing so. If a homemaker should become disabled, she cannot look to social security for help. Even if her husband leaves her because she is an invalid—not an unheard of event—she may be totally without funds. And this can be true even if she worked in covered employment before taking time out to care for her family.

Fourth, if a woman is a married homemaker for a period of her life and then is divorced or goes to work out of economic necessity, or for emotional fulfillment, because of the dual entitlement rule, only rarely can she increase her retirement benefits.

Earnings sharing, that is a plan for dividing credits toward social security earned during marriage, appeals to many persons who are concerned about these facts. Indeed starting with the Social Security Advisory Council and continuing through the supplementary statement of five members of the 1983 National Commission on Social Security Reform, it has frequently been denoted the most promising solution. It has not, however, been universally accepted because many persons of good will fear that earnings sharing would create countervailing problems. The biggest one is that it could be costly at a time when government deficits are already too high, or alternatively it might require the benefits of some recipients to be reduced in order to pay for the increased benefits of others. A good many thoughtful observers have hesitated to shoulder these risks, at least without knowing their precise dimensions.

The Technical Committee on Social Security Reform for Women, whose Chair I am, was founded to design satisfactory solutions for these difficulties. The group has been meeting roughly every two weeks since its inception in January, 1982, to work on designing a feasible earnings sharing plan. At the first meetings there were only a handful of members present, but over time, as the world began to take us seriously, the group has grown. At present, members include representatives or organizations of feminists, homemakers, and older women; staff of congressional offices including Cathy Straggas of Mary Rose Oakar's staff; economic consultants; lobbyists; and Government personnel, including several from the Social Security Administration (some come officially as advisers, others unofficially). We meet at lunchtime and follow an open door policy, welcoming anyone who wants to come. Most of our decisions are reached by consensus of the individuals present. We send copies of our minutes to anyone who requests them, so that we are doing is known to a wide public. In addition one of the social security staff members who has been assigned to advise us, Mary Ann Prucnal, writes her own summary of what transpires, which she circulates to the SSA staff. In addition, she sometimes sends copies of our minutes.

At the start we were unable to attract financial support except for a small grant from the American Association of Retired Persons, for which I remain deeply grateful. Later, after we had been meeting about a year, we were successful in obtaining grant funds from Rockefeller and Ford Foundations with which to obtain a computer analysis of our proposals. This work is being done by the Urban Institute, which is the grantee, and which has a computer model of the Social Security population called Dynasim. Dynasim is based on a sample of the Social Security population, and is kept current with the assumptions of the Social Security actuary as to unemployment, longevity, divorce, labor force participation, fertility, inflation, etc. With its help we are able to make sophisticated projections as to the cost of our proposal and its likely effect on various segments of the social security population (e.g., retired married couples, divorced persons, widows and widowers, disabled individuals).

We are currently in the midst of examining the first group of Dynasim results to see what changes in our original design might be appropriate.

The data so far has been encouraging, showing—very generally—that the initial proposal, after a transition period, would be virtually cost-free, and that it would tend to help beneficiaries whose social security benefits are low. Losers would be concentrated among recipients of higher benefits. However, the Technical Committee is sensitive to the problems involved for each segment, and has been reviewing the consequences of the proposals very carefully. I expect some changes in our proposals to be forthcoming in order to provide further protection to potential losers. We do not feel it necessary to keep the design at zero cost, although we aim to make it low enough in cost to be politically saleable.

The House of Representatives computer has been made available for our work, primarily at the instance of Representative Claude Pepper and Mary Rose Oakar, thus saving a substantial amount of money for further computer analysis. At the present time, however, our research funds are exhausted, leaving several issues unresolved. Our most immediate need is for funds with which to update our results to accord with the changes in assumptions in the June 1983 social security actuary's report.

We are also seeking grant funds with which to analyze a proposal to combine earnings sharing with the proposal of the 1981 National Commission on Social Security for a child care special minimum, as well as to determine what other resources social security beneficiaries have. Many of us want to know the proportion and distribution of pensions, welfare or the forms of income among the elderly before making final recommendations.

Finally, we are in need of further data to help us design a transition.

When this phase of our work is complete, we expect to hold two conferences, one for the social security community and the other for women's organizations, at which we will present our ideas for discussion. It is our expectation that the group will want to make changes in its proposals based upon the reactions and suggestions that are evoked at these two conferences. The Ford Foundation has provided funds for this purpose through the Center for Women Policy Studies.

It is our hope that we will be able to issue a final proposal sometime next spring. We expect to do so before the Social Security Administration and the Congressional Budget Office report. Both of them were mandated by the 1983 Social Security Amendments to report on the feasibility of changing social security to make it more equitable for women. I do not expect the Social Security Administration to shoulder the burden of designing a suitable plan, but rather to critique the proposals of others. The burden of designing an earnings sharing plan falls properly on those of us who believe earnings sharing is the most promising solution, and we are attempting to carry it.

The Technical Committee welcomes help from everyone. I appreciate the opportunity to describe its work, and would be glad to answer any questions.

Ms. Oakar. Thank you. At this time, I will, because I know you have to leave, I would like to ask you a question, and if other members want to ask a question, it's fine also.

Members of the committee as well as the Chair are certainly concerned about the cost, although I don't think that should be our biggest obstacle, We are concerned about who would be helped and who might not be helped, by reform legislation. As you know, in our bill, we do provide a transition period to the year 2010. Homemakers would benefit in any case from the bill because of the fact that they are not always eligible for disability. But we don't want the benefit to be decreased.

Have you given any consideration to that—the whole idea of the transition?

Ms. Fierst. Absolutely. We are looking now at transitions to the year 2030. My own view at this juncture is that during the transition period there would be an additional cost to phasing in earnings sharing because of what has earlier been said. People who are now in the system or are now employed, have expectations that ought not to be disappointed. But neither do we feel, as a group, that even in the long run we would insist upon a zero cost. There is some anticipation that earning sharing might cost something. But in the long run I don't think that it would be a very sizable amount of money, as things are going now.

One other thing that I wanted to tell you that I am finding very exciting about working with the group. That is, our compatibility, although right from the start I have anticipated that we would have differences of opinion. We did what we could to get a diversity of groups to come—everybody is welcome; anybody who wants to come is welcome. We meet from 12:30 to 2 roughly every 2 weeks and we have never turned away anybody. We are hopeful that people who have doubts about what we are doing will come and tell us their doubts so we can try to resolve them, as some of them have.

The fact is that whenever we get to the point of a decision, we somehow have been able to reach a consensus. We have almost never had to take a vote in which there was a minority which held out for one position and a majority which voted for another. There's a general feeling of commonality of goals. When the group knows some facts and sees how a proposal is going to affect different groups of beneficiaries, the answers seem to fall into place.

I am sure we won't agree on everything we do; we have put off some of our more difficult decisions, but the trend is toward consensus.

Ms. Oakar. Well, that's good to hear. I would certainly think HHS and the Social Security, especially, would be very helpful to you in putting together your information. I know of your expertise and I know of your objectivity in the situation as well. I am hoping all of those groups would be supportive of your efforts to complement whatever the administration does and our task force does and others to getting the information that is needed.

Ms. Fierst. One of the things which you have already done, you and Representatives Pepper and Conable, which is enormously helpful to us, was to arrange for the computer that's owned by the House of Representatives to be made available to our group, or to the Urban Institute, so that some of our money could be used not to pay for computer time, but for further analysis. It would be wonderful if we could get help from the Social Security Administration for a small particular issue.

Ms. Oakar. Well, maybe we can both help you get that information.

Mr. Daub?

Mr. Daub. I just want to comment that I am delighted that you are undertaking the work that you are doing. I gather inferentially that maybe you are looking not just at the year 2010, but you are looking to the year 2030 to try to encompass a lot of the other cost problems. I think there is wisdom in that approach, if we are going to do something like this.

Are you looking at child care credits, what the marriage penalty elimination does; what the IRA increase could do, the credit for care of the elderly, an idea that is gaining in popularity and the private pension picture?

All of these revenue outflows from good ideas are in the name of fairness, are going to start to change the picture of the retired man and woman, in the timeframe of 2010 to 2030. All of these options will cost something. These costs will not just be the credit sharing or the surviving spouse taking on some feature of the predeceasing spouse's credit, but there are going to be a lot of other things that we do in the law, aimed at providers equity for women that will cost the Treasury bunches of money—if I can put it in those terms—that may put pressure on the idea that general revenues would be available to fund some of these things.

Ms. Fierst. What you are suggesting is really more ambitious, I think, than a group like this can undertake. However, one of the things that we are talking with a foundation about getting the money to do, is to look at the other sources of income for social security recipients.

I said to you earlier that the first runs of the computer tended to show that those people who were receiving low benefits would be helped by earnings sharing and those people who are receiving high benefits would not be helped, or in some cases, would lose.

This has raised a question in our minds whether the people who were going to be helped maybe have big pensions, or some other income which makes the raises unnecessary. Maybe they are not the ones who are most in need of a change in social security. Similarly, even high benefits under social security don't provide for lavish living and if people who have so-called high benefits have no other income, then we want to think twice before we propose any reduction, no matter how small, in their social security benefits.

We are also hoping to be able to look at the question of whether increasing social security benefits for people at the low end would disqualify them for other benefits such as food stamps, SSI, whatever. We realize that tampering with social security may change the fundamental safety net for the American public.

Finally, while we think there are real inequities in social security as everybody has been describing today, and something has to be done about them, we believe strongly that whatever changes are made must be designed very carefully. I hope to be around for the day when Robert Myers, who is one of the most distinguished experts in social security will no longer make the statement that was quoted earlier, I believe, by you, and which I had already underlined in my copy of the testimony, to the effect that knowledgeable people oppose earning sharing. I am hopeful that our words will persuade many people who are thoroughly qualified in the administrative and financial aspects of social security to endorse our proposal.

Mr. DAUB. I appreciate your contribution and I hope you will make the results, in whatever form they come, available as soon as you have them, to not only our chair and this committee, but to Mrs. Heckler at the Department of Health and Human Services for the purposes of their report by next July.

Ms. OAKAR. Thank you. Mr. McCain?

Mr. MCCAIN. No questions.

Ms. OAKAR. Thank you. Thank you very much, as usual, for your excellent testimony. Good to see you again.

Our next witness is Louis Enoff, who is the Acting Deputy Commissioner for Programs, Policies, of HHS. We're glad to have you. We understand Secretary Heckler was not able to be here because she's out of town. But we know she's interested in this subject and we're happy that you could come.

STATEMENT OF LOUIS ENOFF

Mr. ENOFF. That's correct. I thank you, Madam Chairwoman, for the opportunity to discuss the issues concerning women and social security benefits.

As you know, this administration is committed to assuring that the interests of women are adequately addressed under all Federal programs. Your task force has already made important contributions in this area by highlighting the importance of the treatment of women under social security, and by providing a forum on several occasions, including today, for various experts in this area to present their views.

Since the early years of the social security program, there has been an interest in providing fair and adequate benefits for women, and over the years benefits have been added to the original program for wives and widows, disabled widows, divorced wives, and surviving divorced wives. Benefit amounts for widows and disabled surviving spouses have been increased. Nevertheless, there remain serious questions about whether the social security system is as equitable and responsive as it should be for women.

In the past, some provisions of the social security law treated men and women differently solely on the basis of gender. However, over the years many of these provisions have been changed to make them neutral. Eight provisions of the law which treated men and women differently on the basis of gender were changed by the Social Security Amendments of 1983 so that only a few social security provisions remain that are not yet gender neutral. In this regard the President's Cabinet Council on Legal Equity has reviewed laws and regulations and has identified areas where changes need to be made in Federal statutes, including the few remaining sections of the Social Security Act. The President recently approved a recommendation of the Council that some 47 of these provisions be corrected, and, as you know, Senator Dole has introduced legislation to accomplish this.

Even though the law is generally neutral today, various factors combine to produce social security benefits for women as a group that are different from benefits for men as a group. In addition, some major categories of women, such as divorced and separated women and working wives and widows, feel that they are not treated fairly by social security.

In order to arrive at the best way of addressing these concerns, we need to carefully define and measure what the problems are, what causes them and what effects various proposed solutions may have.

First, addressing the different impact on men and women, men and women are treated the same under social security in the sense that the same benefit amounts are payable to men and women under identical demographic and economic circumstances. However, as we know, the demographic and economic circumstances of men and women are not identical.

For example, women live longer than men. In 1980, 59 percent of the aged were women and in 1981 a woman aged 65 could expect to live 18.5 more years on average, while a man aged 65 could expect to live only 14.2 more years on average. Because of their longer life expectancy, in the aggregate women receive roughly the same amount of benefits as men. However, as individuals, women tend, on the average, to receive lower monthly benefits than individual men. For example, in June 1983, the average benefit awarded to male retired workers was $479 a month while that awarded to female retired workers was $307 a month.

The difference in benefit amounts between men and women is caused primarily by economic and cultural factors, such as lower labor force participation rates for women, lower earnings levels for women and fewer total years of paid work for women.

The concentration of women in low-paying jobs and the fact that many women work in covered employment only intermittently because of family responsibilities serve to lower women's earnings when compared to men's. Despite the growing number of women in the work force, women still only earn about 59 cents for every dollar earned by men. This difference in earnings persists even in occupations filled mainly by women. A recent Department of Labor report showed that, in 1981, although 90.6 percent of bookkeeping jobs were held by women, they earned an average of $98 less a week than men holding the same kind of jobs. Since social security benefits are based on the level of the person's earnings, social security benefits for women are generally lower than those for men. However, low earnings are somewhat compensated for by the social security benefit formula, which provides relatively higher benefits for persons with low earnings compared to those with high earnings.

As I mentioned earlier, the program has a different impact on various groups of women, such as homemakers, married women workers, and divorced women and widows. The majority of women spend some part of their adult life in one or more of these roles.

I will turn my attention first to the issues affecting homemakers. Social security spouse's benefits were added to the original social security program in 1939 to reflect the fact that a worker whose spouse does not work for pay would still need to support that spouse in retirement. Consistent with that purpose, if the spouse is entitled to a social security benefits on his or her own earnings; that is, he or she is "dually entitled," the spouse's benefit is offset, dollar for dollar, by the amount of the spouse's own worker's benefit.

There are two basic criticisms made of the provisions affecting homemakers. One is that homemakers are treated unfairly under this so-called dual entitlement provision because they lose the protection they have as spouses if they work. To put it another way, they do not automatically increase the amount of benefit they receive through additional work because their spouse's benefits are offset by the amount of their worker's benefit.

Another criticism is that homemakers are treated unfairly because the work they do in the home does not provide disability protection for themselves or protection for their survivors, if they die. One thing that will diminish this problem over time is that as more married women work outside the home, fewer will receive only a spouse's benefit. We expect that the portion of married women receiving only a spouse's benefit; that is, who have no benefit based on their own work, will decline dramatically in the future from approximately 38 percent now to 31 percent in the year 2000 and to 15 percent by the year 2040.

Women are far more likely to work for pay outside the home today than they were in earlier periods. For example, between 1970 and 1981, the labor force participation rate for women increased by nearly 9 percentage points, from 43.4 percent to 52.3 percent.

In contrast, the labor force participation rate of women rose by only 3.2 percentage points from 1950 to 1960, from 33.9 to 37.1, and only 5.3 percentage points from 1960 to 1970. Under the 1983 Social Security Trustee's Report, Alternative II-B Assumptions, the labor force participation rate for women is projected to continue to increase and to reach 60.3 percent by the year 2040.

As the number of two-earner families has grown and more women receive most or all of their social security benefits as workers, there has been an increasing tendency by working women to view the social security spouse's benefit as a windfall to families in which the spouse did not work outside the home.

By the same token, some working wives think that they are being treated unfairly because they do not receive their own worker's benefit in addition to a spouse's benefit. In cases where a woman's benefit based on her own earnings is less or not much greater than what she would have received as a spouse and had not worked at all, the working wife is particularly likely to see her own work as not being fairly or adequately rewarded by the social security system. This perception of unfairness is increased by the fact that under the current system a couple consisting of a worker and full-time homemaker can get higher total social security benefits than a couple with similar earnings where both spouses work for pay.

A working wife does, of course, earn protection not available to full-time homemakers. Working wives may have disability protection for themselves and survivor protection for their children. They can also claim their own retirement benefits, whether or not their husbands retire.

As to issues affecting divorced women, some 1.2 million divorces were granted in 1980, nearly three times the number of divorces granted in 1959. In 1980, 4 percent of men and 3 percent of women aged 65 and over were divorced.

Social security provides benefits for a divorced woman based on her ex-husband's covered earnings if the marriage lasted 10 years or more. The amount of the benefit is 50 percent of the worker's full benefit, the same amount as that provided for women who are still married. The wife's benefit, however, is intended as a supplement to the worker's benefit for couples living together rather than as a benefit for a person living alone, such as a divorced woman maintaining her own household.

Most aged divorced women today receive benefits as retired workers. Only 13 percent of all divorced women age 60 or older receive only divorced spouses or surviving divorced spouse's benefits. The average benefit for divorced women becoming eligible for retired worker benefits in the near future will be about 80 percent of that for divorced men.

However, just as with married homemakers, divorced women who qualify for their own worker's benefit may receive little or no additional retirement benefits based on their own work. This is a problem particularly for homemakers divorced after relatively long marriages who are likely to enter the paid labor force in middle age and, consequently, qualify only for small worker's benefits.

Additionally, women are likely to be out of the paid labor force for some part of the first 10 years of marriage because of homemaking and/or child care responsibilities. This fact combined with the fact that more than half of all marriages ending in divorce last less than 10 years—the median length of marriages dissolved in 1980 was 6.8 years—means that divorced women can be left with a gap in their social security protection.

If the divorce occurs before 10 years of marriage, as is likely, no social security benefit will be payable based on the ex-husband's earnings. Also, since worker's benefits are based on average lifetime earnings under social security, the years spent out of the labor force during marriage are likely to result in lower retired worker benefits for those divorced women who later entered the paid labor force. This is illustrated by a comparison of monthly benefits in 1976, the latest year for which data are available of $214 for never married female retired workers and $195 a month for divorced female retired workers.

A significant percentage of divorced people do not have adequate incomes in old age. In 1981, 27 percent of divorced women age 65 and older, and 24 percent of divorced men, were officially counted as poor. Their poverty rates are similar to those for all unmarried aged persons.

As to issues affecting widows, the majority of people who live to old age are women. About 59 percent are persons age 65 and over in 1980 were women. And of those women, 51 percent were widows compared to 40 percent who were married. In contrast, 78 percent of men aged 65 and over were married. Women are likely to be widows in old age, both because wives tend to be younger than their husbands and because women, as a group, tend to live longer than men.

The issues that have been raised by married working women concerning the differences in benefit amounts for one- and two-earner couples are also raised concerning benefits for the survivors of such couples. That is, survivors of one-earner couples can get significantly higher benefits than survivors of two-earner couples with similar earnings.

However, the biggest concern is focused on the adequacy of widows' benefits. The reason for this concern is that elderly unmarried women, most of whom are widows, tend to have much lower incomes than elderly couples, and somewhat lower incomes than elderly men. In 1980 median personal income of elderly, unmarried women was only 39 percent of that for couples and 83 percent of that for elderly unmarried men. In 1981, 25 percent of unmarried, aged women had income below the poverty line, compared to 19 percent of unmarried, aged men, and 9 percent of aged couples.

Although poverty among elderly, unmarried women is a serious problem, it is not clear that the problem relates solely to the level of social security benefits for widows. In fact, the level of benefits for widows is approximately the same as the level of benefits for all retired workers and higher than the level of benefits for female retired workers. The average monthly benefit awarded in June 1983 for aged widows and widowers was $382 a month compared to $406 for all retired workers and $307 for female retired workers.

However, elderly women have few other sources of income to augment their social security. Almost 20 percent of unmarried women, aged 65 and over, receive 100 percent of their income from social security, while only 7 percent of couples reported relying on social security. Only 32 percent of elderly women aged 65 and over are receiving, or will receive, a pension, in contrast to 55 percent of elderly men.

Finally, any resources that aged women had upon retiring may become depleted in advanced old age, thus increasing the dependence of the very aged women on social security. Nevertheless, the economic status of nonmarried women under the social security program has improved greatly over the past 20 years, in part because of changes in social security specifically designed to help them, and in part because of general benefit increases. After adjusting for inflation, real incomes rose by about 50 percent between 1962 and 1980 for aged couples and unmarried men, and by about 67 percent for aged, unmarried women.

Since 1965, benefits have been added for disabled widows age 50 and older, and for surviving divorced spouses. Further, the age of first eligibility for aged widows benefits has been reduced from age 62 to age 60, while the full benefit amount has been increased from 82½ percent of the workers full benefit to 100 percent. Additionally, delayed retirement credits earned by the deceased worker can be used to increase the widow's benefit.

Turning to some recent changes that we might go over, the further improvements in benefits for widows and divorced wives were made by the recently enacted Social Security Amendments of 1983, Public Law 98-21. Under these amendments, benefits for disabled widows age 50 to 60 were increased to 71½ percent of the worker's full benefit. Under prior law, such benefits could have been as little as 50 percent of the worker's full benefit.

The method of computing benefits for widows whose spouses died before retirement was changed in order to provide a benefit that reflects the standard of living closer to the time the widow reaches retirement age. Another change allows divorced spouses to receive benefits based on the earnings of a former spouse who is eligible for retirement benefits, regardless of whether the former spouse has applied for or is receiving benefits. Yet another change eliminates the adverse effects that certain marriages or remarriages had on widow's and disabled widow's benefit rights. And finally, widows claiming reduced benefits are allowed, under the new law, to claim a month's retroactive benefit if, because their spouses died late in a month, they were unable to file for benefits before the end of that month.

Even with these recent changes, questions continue to be raised concerning the treatment of women under social security, and there is continuing concern that the majority of the social security beneficiaries who are least well off financially are women.

Over the past 10 years many efforts have been made to deal with these issues. However, while there seems to be wide agreement that some women social security beneficiaries encounter financial difficulties, there is yet to develop agreement on the specific steps that should be taken to change the current system.

Several congressional groups such as this task force, statutory advisory councils, commissions, and ad hoc groups, and others have looked at the issues and several studies of the issues have been completed. In addition, numerous bills have been introduced that deal with the issues, such as your bills to provide child care credit years under the special minimum provision, and to provide a 4-month transition benefit for some surviving spouses.

One of the approaches that has been studied extensively involves the earnings sharing idea. In addition to being included in your bills and others, this approach was studied in detail by the 1979 Advisory Council on Social Security. Although earnings sharing has a strong theoretical appeal since it is based on principles of equality, the plans that have been studied so far either reduce benefits to certain groups of women and men or result in high costs that are generated by efforts to avoid these reductions.

In addition, since earnings sharing plans generally cannot be fully phased in until well into the next century, they would have little or no effect on benefits for today's older women. By the time the plans are fully effective, many of the problems that we have discussed here today may have been ameliorated by other socioeconomic changes such as less intermittent work patterns for women, greater equality in pay, and improved private provisions for retirement.

Despite these concerns, many groups feel that the earnings sharing idea is still the most promising solution to the problems we have discussed here today. In recognition of the continued interest in the earnings sharing idea, a provision of the Social Security Amendments of 1983 requires the Secretary of Health and Human Services to study earnings sharing proposals with an eye toward recommending ways to provide protection for particular classes of beneficiaries and appropriate transitional provisions. A report is due to Congress by July 1984.

We are now in the early stages of this required study and there have been staff consultations with appropriate congressional staff, including the staff of this task force and the Congressional Budget Office, which is required to review the study.

At this point we are developing detailed specifications for various earnings sharing plans and transitional provisions so that distributional and cost effects can be determined. I should also mention that the study will include an indepth look at the administrative considerations involved in a change to an earnings sharing system. It is our intention to structure the earnings sharing plans that we study in such a way as to avoid as many administrative problems as possible.

It is far too early to predict what the results of the study will be, but you can be assured that we will continue to work closely with your staff as we progress. We are also committed to conducting this study as openly as possible, giving all interested parties ample opportunity to make their views known. We will soon be announcing a plan inviting participation in this important work.

Through these cooperative efforts, I believe that when the study is complete, both we and the Congress will be in a better position to review a wide range of possible ways that could improve the social security system to take account of current and future socioeconomic conditions.

That concludes my remarks, Madam Chairman. I'd be pleased to try and respond to any questions that you may have.

Ms. OAKAR. Well, thank you for your very comprehensive testimony. We'll have questions as soon as we hear from the other—do you have to leave?

Mr. ENOFF. Well, I have an appointment in the other body. I'm not sure where they are now, but let me find out from someone.

Ms. OAKAR. OK.

Mr. DAUB. I don't have any questions of the witness. I just appreciate very much you taking time to be here to represent the Secretary. We do want to be involved with you in the study and we were delighted to hear that you are going to involve us in that process.

Mr. ENOFF. Thank you very much.

Ms. OAKAR. Thank you.

I just wanted to thank you for your testimony. I think you give an awful lot of material here which is very important. Just a few suggestions, if I might, that I would take a little exception with.

Mr. ENOFF. Sure.

Ms. OAKAR. That is—and you clarified this a little later on, your statement that women live longer than men, without a qualifying statement, in the very, very beginning, and then you go on to say that it is, indeed, 59 percent is misleading. Some women live longer than some men. But not all women live longer than all men.

Mr. ENOFF. Right.

Ms. OAKAR. Their benefits are, as you mentioned, quite a bit lower, and so it all seems to balance out. The only other thing is a clarification, just quickly, about earnings sharing. While it is true that if you're going to share earnings in proportion it may not be the same check you get, but if marriage is viewed as an economic partnership, among other things, collectively there is no reduction.

I think that ought to be put forward so that we think it's really important. You have the data and the computers and all the avenues of research, to do a really comprehensive job. There should not be any prejudgment one way or the other on this issue. We and our staff really look forward to working closely with you and the Secretary, and the new commissioner who I understand happens to be a women—we are pleased to hear that.

Mr. ENOFF. That's right.

Ms. OAKAR. I just wanted to make those points and I wanted to thank you very much.

Mr. ENOFF. I appreciate that.

Mr. DAUB. If the Chair would yield, she not only happens to be a woman, but a widow, age 60. So, we see some focus, perhaps, on some of these things.

I would hope that your study would include an interesting option on earnings sharing that hasn't been talked about yet. That option is to allow an election in regard to benefits. This election would be permitted when the first spouse retires, or perhaps 5 years prior to the retirement of the first spouse. The couple would be allowed to make an election regarding their benefits, as military personnel are allowed to with military pensions. This allows the couple to determine, prior to retirement, what benefits they would like to receive. Some may decide they are going to need more cash in the early days of their retirement. The couple will make the decision jointly.

I would look at this option from the point of view that both spouses would have to sign a form or make a common agreement that they receive higher or lower coverage in their early or late years of retirement.

Mr. ENOFF. I appreciate that. And you may be assured that we intend to be objective and to lay out the facts in all of the alternatives that we explore. I appreciate the comments about my new boss. In addition to all the things you have both said about her, she is an outstanding manager and we're just pleased to have her. Thank you very much.

[The following material was subsequently received from Mr. Enoff in response to written questions submitted by Chairwoman Oakar.]

Question. As we read it, Section 344 of the recently passed Social Security Amendments requires you to develop "proposals for earnings sharing legislation" with "specific recommendations . . . for implementation of such proposals."

Do you expect that your final product will be specific legislative proposals?

Will you make recommendations specific enough to be easily translated into legislative reform?

Will SSA develop its own earnings sharing proposal, or will it incorporate the proposals pending in Congress?

Answer. As required by section 343 of P.L. 98–21, we are now developing proposals for earnings sharing in consultation with the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives. Other interested parties, such as members of your staff and those of Senators Dole and Cranston, have been and will be consulted. The proposals developed will illustrate a range of ways earnings sharing could be implemented and will be based, generally, on the various earnings sharing proposals, such as H.R. 1513 and S. 3, which are now pending before the Congress. The proposals will, as required by the legislation, include appropriate transitions, recommendations addressing ways of protecting particular classes of beneficiaries, and recommendations concerning feasible time periods for implementation.

Question. There has been considerable research on the policy options. Most of the hard choices are defined. But there has been little development of the SSA administrative capacity to implement the change.

What are the administrative hurdles you foresee?

Will you be willing to work closely with our staff in determining what is administratively feasible?

Answer. As you know, we have no legal authority to develop any "administrative capacity" for legislative proposals which have not been enacted. Both authorizing legislation and appropriations would need to be passed by the Congress and approved by the President before such authority would exist. It is, of course, one of the purposes of the study required by Section 343 of P.L. 98-21 to examine the administrative implications of the various earnings sharing options. We intend to explore all of the operational and administrative ramifications of earnings sharing and to include an extensive discussion of the administrative problems that would be involved in implementing an earnings sharing system as part of the report we will submit to Congress. We will, of course, consult with the House Committee on Ways and Means and the Senate Committee on Finance, as required by law, and will continue to work with the staff of your committee and other interested parties as we progress in this aspect of our work.

Question. The purpose of SSA's report on earnings sharing is for you to present to the Congress a concrete plan to make the Social Security system more equitable for women. The earnings sharing concept is thought to be the best vehicle for doing that. However, we are more interested in obtaining greater equity than seeing any particular method of reform.

Do you feel flexible enough to try to fashion a concrete plan which accomplishes the goals we seek without being confined by specific proposals which already exist?

Answer. Although the report to be submitted to Congress will concentrate on earnings sharing proposals as the law requires, we are aware from our discussions with your staff and others in the Congress that the basic intent is to identify proposals that would provide better Social Security protection for women regardless of whether or not these proposals encompass an earnings sharing approach. Consequently, we plan to include in the report a section that will discuss different ways that the Social Security system might be changed to achieve some or all of the equity and adequacy goals that earnings sharing is intended to achieve. As a result, when the report is completed, both we and the Congress will be in a better position to choose from a wide range of possible alternatives the best methods for improving the treatment of women under the Social Security program.

Ms. OAKAR. Thank you very much.

We have three more fine witnesses and we have a slight problem with our time because of legislation and other commitments. We're going to ask all three of you to summarize so that we can ask some questions. And we'll submit your entire testimony for the record. Mr. Myers?

STATEMENT OF ROBERT MYERS

Mr. MYERS. Thank you, Madam Chair. I will be pleased to summarize my testimony as much as I can.

Under OASDI in the past there were many unfair discriminations by sex—some against men and some against women. Probably the most unfair was in connection with the child survivor benefits. When first introduced in the program in 1939, they were available in all cases for male workers, but with severe restrictions for female workers. Over the years, these restrictions were lessened. Finally, the 1967 act provided for completely equal treatment. This was largely due to Congresswoman Martha Griffiths. I am proud that I furnished her technical assistance in this matter.

An unfair discrimination in the other direction is for retirement benefits for men who attained age 62 before 1975. With all other things such as dates of birth and earnings records being identical, the retirement benefit for such a woman is significantly higher than for a man.

The 1983 amendments eliminated prospectively all gender differences. This was proposed in the 1977 Republican alternative bill introduced by Congressman Barber Conable when the 1977 amendments were being legislated, and was incorporated in the House bill, although it was not in the Senate version and was, unfortunately, dropped in conference.

The elimination of all gender differences was long overdue, although in practice many had been eliminated by court decisions.

The 1983 amendments included several changes in benefits which primarily affect women and which I think were very desirable.

I believe that the OASDI program is not significantly unfair to women, although certain incremental changes might well be made. It is sometimes stated that OASDI is demeaning to married women because they are paid benefits on their husband's earnings record on the basis of dependency. This is not the case. The law provides that spouse's benefits and widow's and widower's benefits are paid on the basis of legal status. Thus, a woman might have substantial financial resources of her own and by no means be dependent on her husband, and yet this is not relevant to whether benefits are paid.

I fail to see any more stigma attached to receiving benefits on another person's earnings record than to receive a portion of that person's earnings record as earnings-sharing proposals would do.

Another point frequently made is that the duration-of-marriage requirement of 10 years for a divorced person to be eligible on the other spouse's earnings is too long. I believe that this requirement should be reduced to 5 years, as it was in the 1977 Republican alternative bill.

As to women working in the paid labor market, it is said that OASDI is inequitable. Often the female worker will, at retirement, receive benefits based on her husband's earnings instead of on her own earnings, because the former is larger than the latter. It is argued that the female worker has paid OASDI taxes and has received nothing for them. This is not true because she had had disability and young survivor benefit protection and also, in some cases, she could have received retirement benefits before her husband ceased working. Besides, exactly the same thing happens in reverse for male workers.

The foregoing situation is not a valid objection. OASDI is not an individual equity program. Desirably, its social benefit nature results in relatively large benefits as compared with taxes for many groups: low-income workers as compared with high-income workers; workers with children as against workers without children; and older workers when the system began as against younger workers. Conversely, relatively small benefits as compared with taxes are paid for other groups.

One feature that tends to favor female workers is that persons with longer periods of coverage than that over which earnings are computed, eventually 35 years, will frequently have no advantage from such longer coverage, and will pay higher taxes than persons with exactly the minimum number of years required.

All in all, OASDI involves a broad social pooling of the risks insured against, and not individual equity—under which everybody gets exactly their money's worth.

A related criticism often made is that, for two families with the same total earnings record, the two-person, two-worker family receives substantially lower benefits than the two-person, one-worker family. Other than for total earnings, the income these two families are substantially different from a social and economic standpoint. There is no reason why their social security benefits should be identical. For example, the two-person, two-worker family has more disability, more young survivor, and more early retirement benefit protection, while the two-person, one-worker family has more retirement and aged-survivor benefit protection.

Those who criticize this situation adversely are not taking into account that OASDI is on a social-adequacy basis, not an individual-equity basis. Although the two-person, two-worker family with the same earnings record as the two-person, one-worker family does not fare as well from a retirement-benefits standpoint, the same is also true for a one-person, one-worker family as against a two-person, two-worker family. Such apparent dilemmas will inevitably appear in a program that is geared to provide social-adequacy benefits rather than individual-equity ones.

One proposal often made is earnings sharing. Philosophically, I strongly support this approach as being what marriage is all about. However, I know of no person, female or male, who has a thorough knowledge of the fiscal and administrative aspects of the OASDI system who believes that it is feasible to drastically revise the program in this manner. Either there will be persons with large benefit losses, as well as those with large gains, or else the cost of the program will be greatly increased if nobody is to lose out. In fact, under earnings sharing, many women will receive less than under present law.

Another suggested approach is to provide earnings credits for homemakers. I strongly support this concept philosophically, but I believe there is no feasible way to put it into effect. Among the unsolvable dilemmas involved are: Whether the procedure should be financed by payroll taxes on these credits or by general revenues; whether the procedure should be voluntary; and how much the credits should be.

If more individual equity is desired for two-person, two-worker families, by far the best approach is that taken in the 1977 Republican alternative bill—namely, to provide a working spouse's benefit for the spouse who has the lower primary benefit, in an amount of 25 percent of the lower of such spouse's benefit, based on own earnings record, or on the benefit from the other spouse's record.

Other incremental changes would be possible to alleviate some of the situations discussed previously. Child-care credit years in computing average earnings for benefit purposes might be universally provided. Present law contains a limited version of this. The Senate version of the 1983 amendments, due to a proposal by Senator Armstrong, expanded on this provision considerably. But that change was dropped in conference. Another change would remove the age 50 requirement for disabled widows benefits.

The problem with any changes in benefits is that, if they accomplish anything significant, the program's cost will be increased greatly. Either higher payroll taxes will be needed or else the rate of growth of other benefits will have to be lessened. Neither of these is easy to accomplish.

Nonetheless, OASDI is a flexible program that is not restricted by benefits having an ironclad guarantee of maintenance or by strict individual-equity concepts. Accordingly, we must continually examine the program to determine ways in which it can be improved in a reasonable and equitable manner.

Thank you, Madam Chair.

[The prepared statement of Mr. Myers follows:]

PREPARED STATEMENT OF ROBERT J. MYERS

I appreciate the opportunity to discuss the situation of women with respect to the Old-Age, Survivors, and Disability Insurance portion of the social security program.

My experience in the social security area has extended over almost 50 years. I held various actuarial positions with the Social Security Administration and its predecessor agencies from 1934 to 1970, and was Chief Actuary during the last 23 years of that period. In 1981-82, I was Deputy Commissioner of Social Security. In 1982-83, I was Executive Director of the National Commission's assignment, I have engaged in consulting work in the social security field.

Before proceeding with the specific subject of this session, I would first like to mention certain personal convictions. I have always strongly favored the general principles underlying the Equal Rights Amendment. I also favor the principle that employee benefits should, with all other circumstances being the same, provide equal benefits for men and women even though the plan's cost is higher for men than for women (e.g., for survivor benefits) or, on the contrary, is higher for women than for men (e.g., for pensions).

However, I believe that, in the case of individually-purchased insurance, where equity concepts should be predominant, so-called unisex tables should not be used. For some forms of insurance (e.g., life or automobile), they produce inequitably high rates for women, while for other forms (e.g., annuities), the reverse occurs.

In the same manner, I believe that age should be a determinant factor in setting premium rates for individual policies when this element makes a significant difference. Thus, for example, for life insurance or annuities, a woman aged 60 should not be charged the same rate as a woman aged 65, which produces about the same differential in premium rate as between a man and a woman of the same age at the older ages.

Now turning to the OASDI program, it is quite true that, in the past, there were many unfair discriminations by sex. Some of these were against men, and some were against women. Probably the most unfair of all was in connection with child survivor benefits. When these were first incorporated in the program in 1939, they were available in all cases with respect to male workers, but with severe restrictions in the case of female workers. Over the years, these restrictions were lessened, until finally the 1967 amendments provided for completely equal treatment. This desirable result was largely due to the efforts of Congresswoman Martha Griffiths. I am proud that I was able to furnish her technical assistance in achieving this result.

An unfair discrimination in the other direction is in the case of retirement benefits for men who attained age 62 after 1954 and before 1975. With all other things such as date of birth and earnings record being identical, the retirement benefit for a woman in that range of years of birth is significantly higher than for men. If I might inject a personal note, my social security benefit is about $14 per month less than that of a woman born in the same year and with an identical earnings record.

The 1983 amendments eliminated prospectively all gender differences in the law on which the OASDI program is based. This was proposed in the 1977 Republican alternative bill, which was introduced by Congressman Barber Conable at the time the 1977 amendments were being legislated, and was incorporated in the House version of the bill, although it was not included in the Senate version and was dropped in conference. The elimination of all gender differences in the law was long over due, although in practice many of these differences had been eliminated by court decisions, so that the law merely needed "cleaning up".

The 1983 amendments included several changes in benefits which primarily affect women—for example, benefits will be payable to an eligible divorced spouse after the other spouse is eligible for benefits, even though not receiving them (because of non-filing or because of substantial employment). I believe that all of these incremental changes were highly desirable.

We come now to the basic question of whether the OASDI program is significantly unfair to women. I believe that this is not the case, although certain incremental changes might well be made. Let me first discuss various criticisms of inequity that have been made.

It is sometimes stated that the program is demeaning to married women, because they are paid benefits on the grounds of dependency. Actually, this is not the case, because the law provides that spouse's and widow(er)'s benefits will be paid on the basis of legal status. The fact that a woman might have substantial financial resources of her own and by no means be dependent on her husband is not relevant to whether or not benefits are paid. Moreover, I fail to see any more stigma attached to receiving benefits on another person's record than to receive a portion of that person's earnings record, as earnings-sharings proposals would do.

Another point that frequently is made is that the duration-of-marriage requirement of 10 years in order for a divorced person to be eligible on the other spouse earnings record is too long. It is my belief that the incremental change of reducing this requirment to 5 years—as it was in the 1977 Republican alterative bill—would be desirable.

Perhaps the most frequent argument made as to inequitable treatment of women is in the case of those working in the paid labor market. It is said that the result under the OASDI program is inequitable because often the female worker will, at retirement, receive benefits based on her husband's earnings record instead of on her own earnings record, because the former is larger than the latter. Therefore, it is argued, that the female worker has paid OASDI taxes and has received nothing from them. In the first place, this is not true, because she had disability and young-survivor benefits protection and also, in some cases, could have received retirement benefits before her husband ceased working.

But even so, this is not a valid objection, because OASDI is not an individual-equity program. Desirably, its social-benefit nature results in relatively large benefits as compared with taxes paid for many groups—low-income workers as against high-income workers; workers with children as against those without children; and older workers when the system began as against younger workers—and, conversely, relatively small benefits as compared with taxes paid for other groups. Furthermore, one little-realized feature of the program that tends to favor female workers is that persons who have longer periods of coverage than that over which average earnings are computed (eventually 35 years) will frequently have no advantage from such longer coverage and higher taxes than persons who have exactly the maximum number of years required. All in all, the OASDI program involves a broad social pooling of the risks insured against—and not individual equity, under which everybody gets their exact money's worth, no more and no less.

A related criticism that is frequently made is that, for two families with the same earnings record, the two-person, two-worker one receives substantially lower benefits than the two-person, one-worker one. Actually, other than for total earnings income, these two families are substantially different from a social and economic standpoint. Thus, there is no reason why their Social Security benefits should be identical. For example, the two-person, two-worker family has more disability, young-survivor, and early-retirement benefit protection, while the two-person, one-worker family has more retirement and aged-survivor benefit protection. In any event, those who criticize this situation adversely are not taking into account that OASDI is on a social-adequacy basis, not an individual-equity basis.

It is relevant to note that, although the two-person, two-worker family with the same earnings record as a two-person, one-worker family does not fare as well from a benefit standpoint, the same is also true for a one-person, one-worker family as against a two-person, two-worker family, both having the same earnings record. Such apparent dilemmas will inevitably appear in a program that is geared to provide socially-adequate benefits rather than individual-equity ones.

One solution that has been proposed by many who believe that OASDI is unfair to certain female categories is earnings sharing. Under this approach, the earnings of a married couple are pooled as they are earned and are divided in half. Philosophically, I strongly support this approach as being what marriage is all about. However, I know of no person, female or male, who has a thorough knowledge of the fiscal and administrative aspects of the OASDI system who believes that it is feasible to drastically revise the program in this manner. Either there will be persons with large benefit losses—as well as those with large gains—or else the cost of the program will be greatly increased if nobody is to lose out benefitwise.

Another suggested approach is to provide earnings credits for homemakers. Once again, I strongly support this concept philosophically, but I believe that there is no feasible way to put it into effect. Among the unsolvable dilemmas involved are whether the procedure should be based on payroll taxes on these credits or on general revenues, whether the procedure should be voluntary, and how much the credits should be.

Up to this point, I have been quite negative about making any changes in the OASDI program to recognize situations where problems exist, particularly for women. If it is desired that more individual-equity aspects should be introduced for two-person, two-worker families, I believe that by far the best approach is that which was taken in the 1977 Republican alternative bill—namely, to provide a working-spouse's benefit for the spouse who has the lower primary benefit—in an amount equal to 25 percent of the lower of such spouse's benefit based on own earnings record or the benefit coming from the other spouse's earnings record.

Other incremental changes would also be possible to alleviate some of the situations discussed previously. For example, child-care credit years in computing average earnings for benefit purposes might be universally provided. The present law contains a very limited version of child-care credit years. The Senate version of the 1983 amendments expanded on this considerably, but that provision was dropped in conference. Another possible change would be to remove the age-50 requirement for disabled widow(er)'s benefits.

The problem with any changes in benefits such as just described is that, if they accomplish anything singificant, the cost of the program will be increased greatly. This means that either higher payroll taxes will be needed, or else the rate of growth of other benefits will have to be lessened. Neither of these is easy to accomplish. Nonetheless, the OASDI program is a flexible one that is not restricted by benefits having an ironclad guarantee of maintenance or by strict individual-equity concepts. Accordingly, we must continually examine the program to determine ways in which it can be improved in a reasonable and equitable manner.

Ms. OAKAR. Thank you, Mr. Myers.

Mr. Daub, you have a question?

Mr. DAUB. I'm going to have to leave and my very able colleague, Mr. McCain, will be staying. I want to address one question to you. You were appointed to the social security Commission by whom?

Mr. MYERS. As to the first National Commission on Social Security, I was appointed by the Speaker, as being the Republican nominee. As to the latest National Commission on Social Security Reform, I was the Executive Director appointed by President Reagan.

Mr. DAUB. Did this last Commission consider any of these ideas that are the subject of this hearing today? As the Executive Director of the Commission, do you recall if there are records that are obtainable for debate and historical purposes on any of these subjects?

Mr. MYERS. I think that it is fair to say that the Commission recognized there were very big problems in this area, and some were very worthy of consideration, but that it felt it did not have time to do so, other than to make some four or five incremental changes that I personally think were a very good idea. Most of the women's groups think they were a good idea, although many of them think they did not go nearly far enough.

Mr. DAUB. Well, I want the record to show that there is a good deal of information, from my knowledge, that we ought to get and take a look at. Let me thank you for pointing out that the Republican alternative in 1977 would have removed gender-based distinctions in social security and would have shortened the marriage requirement from 10 to 5 years. It shows that some of us were thinking about it even in those days. I'd also like to point out that you and I have a little bit of a common platform now, with your great expertise.

I notice that "Dear Abby" turned to you for some help and our names appear jointly in her explanation of the notch baby problem, which appears today in her syndicated column. Thank you for your continuing interest in social security and your availability to this committee. I want to thank the Chair again for her great leadership.

Ms. **Oakar**. Thank you very much.

Mr. **Myers**. Thank you. I am very grateful to have been associated with you on that "Dear Abby" matter.

Ms. **Oakar**. Now, if we could get all the Republicans to support H.R. 100 that removes gender-based ideas with respect to the insurance bill that's up, we'll be a lot better off.

Mr. **Daub**. Some do.

Ms. **Oakar**. Good.

Mr. McCain, did you have a question for Mr. Myers?

Mr. **McCain**. Yes. Thank you, Madam Chairwoman.

Whenever I write to "Dear Abby" she does not use my name.

I very much appreciate the benefit of your testimony. Although I had not met you, I had certainly heard of your expertise in this area, and I don't think there's anyone in this country who has as solid grounding on this issue as you do.

And I'd like to ask just a couple of questions. I know the time is short, but for my benefit and the benefit of the people who study the testimony, would you explain the difference between "social adequacy" and "individual equity"?

Mr. **Myers**. "Individual equity" means that each individual gets benefits or benefit protection exactly equal in value to what he or she has paid for. "Social adequacy" is what the social security system primarily consists of, by putting the money where it is most needed, in other words, lower-income people are provided relatively higher benefits than high-income people, providing benefits also, for example, benefits are provided for children of deceased workers. If a worker does not have any children, in essence, he or she pays for the benefits of those who do have children.

So, social adequacy—in other words—tries to meet the basic economic needs, of the working population.

Mr. **McCain**. Thank you, sir.

In your statement that I referred to before concerning the earnings sharing proposal, you also added a sentence that was not in your prepared statement where you said many women—I was paying attention—many women will actually receive less as a result of this proposal. Could you elaborate on that a little bit, please?

Mr. **Myers**. Yes. I'd be glad to.

There are, of course, many different earnings sharing proposals, but I can give you one particular example. Suppose a woman is married to a male worker who has relatively high earnings all of his life. They get divorced at some time. Suppose that he dies just when he reaches retirement age. Under present law, she will receive the same benefit that he would have received at retirement. This will be higher than the benefit she would get with earnings sharing, because she will have just half of his earnings during their marriage period to her credit, and she may not have very high earnings herself the rest of her life after the divorce.

In every earnings sharing proposal which I have ever seen, and there are a great multitude, I have always found a lot of "bugs", where they produce results that are not intended—people being losers—whereas the proponents of the proposals think that everybody is going to be a winner.

Mr. McCain. Thank you, sir. And if it would be agreeable to the Chairwoman, I may have some written questions to submit for Mr. Myers.

Ms. Oakar. Absolutely. For any of our witnesses.

Mr. McCain. Thank you very much.

Ms. Oakar. Thank you.

Mr. Myers, you have been a career employee for the Social Security Administration. Am I correct about that?

Mr. Myers. Yes, that is correct. Our mutual friend, Wilbur Cohen, and I started out working on social security within a week of each other back in 1934, with the organization that made the studies setting up the Social Security Act.

Ms. Oakar. And I'm sure when you set up that act, a lot of people were opposed to the act. Am I correct about that?

Mr. Myers. There was a very substantial and vocal minority that were opposed to the Social Security Act in 1934.

Ms. Oakar. So in that sense I consider you and Wilbur, whom I had the pleasure of serving with on an Unemployment Compensation Commission, the pioneers of social security. He was my chairman and he told me many times of the battles and of the very fascinating history in our country regarding the development of social security. We owe you a great deal of service and I respect your judgment.

However, social security has progressed in many areas and really progressed with the times. I guess the concern that some of us have is that it has benefited so many millions of Americans. Certainly it's not always adequate, but we wanted to progress in terms of equity. Also, it has never remained intransigent, and that has been the fine thing about the social security insurance program.

Just as I'm sure in the thirties if somebody had mentioned to you that you would go along with the package that taxed some of the social security recipients, you probably might not have agreed. It took an awful lot of members to agree to something that philosophically was not intended by the original action, as I understand it.

So, even though you don't agree with the earnings sharing concept in practicality, I was heartened to hear you say that you agree with it philosophically. I think that is the basis, in a real way, of what the insurance program and how it developed. It was because of philosophical giants like yourself and Wilbur, and President Roosevelt who felt that our people really needed some kind of insurance program, and who put their philosophy into action in the form of social security.

And honestly, I'm not going to criticize you, Bob, just because we don't necessarily agree on this issue, because I really feel that you have the flexibility, if we can show you that this won't hurt people and that it is a practical way to change some of the calculating that would inevitably help just about every woman in America, I just know that you'll be with it.

I really respect you very much and I am very happy that you were here to give such a fine testimony.

Mr. Myers. Thank you, Madam Chair. I appreciate your kind words. I agree with you completely that the great strength of the program has that it's been flexible over the years so as to change with changing conditions. I hope I can be equally flexible.

Ms. Oakar. So do I. Thank you, Robert, very much.

Charlotte and Judy, we want you to think, actually, that you are on an equal basis with all of our witnesses, and we're glad that you were able to be so patient.

Charlotte, I want you to know that the Junior League in my city of Cleveland has saved so many things for our city and all you have to do is see the good work they've done. They don't always get a lot of credit as an organization, but I know in our area, with the restoration that's going on and the saving of these gorgeous theaters that were going to become parking lots and so many other good things, they've just been a very important influence in my community and throughout the Nation. So, we're really happy that you were able to come and be so patient.

You're free to proceed in whatever manner is most comfortable. We would appreciate it if we could submit your whole testimony for the record and you could hit the high points for us.

STATEMENT OF CHARLOTTE LUSKEY

Ms. Luskey. I will do that.

Ms. Oakar. Thank you. I'm sorry.

Mr. Luskey. That's all right.

Thank you for your kind remarks about the Junior League of Cleveland. I am familiar with what they are doing.

I am Charlotte Luskey, a director of the Association of Junior Leagues. With me today is George Haskett, the association's public policy analyst.

As chairman of the association's committee on aging and a member of its public policy committee, I'm especially pleased to have the opportunity to present testimony to this task force.

The Association of Junior Leagues is an international women's voluntary organization with 243 members in the United States, representing approximately 148,000 individual members. As a womens organization we are particularly interested in the problems women face under the current social security system. Junior League members are experiencing the same trends reflected in national statistics. An increasing number of our members are working. As of 1982, approximately 41 percent of the women joining the Junior League were employed full or part time. In my own Junior League of Washington, over 65 percent of our membership is employed. Many of our members are having to combine work, child care, and family responsibilities. In addition, our members who are full-time homemakers need the economic protection of social security in planning for their future. The association has been on record since 1981 with a position statement which supports the goal of fair and equal economic opportunities for women and men.

Because of our concern for women's economic equity, we have endorsed four concepts for reform. The social security system should be structured in recognition of the fact that marriage is an equal partnership in which both spouses make an economic contribution in the paid labor force and in performing homemaker and child-care duties. The social security system should treat one- and two-earner couples in an equitable manner. The system should not penalize individuals for choosing to remain out of the work force to perform child care and other homemaker responsibilities. It should provide adequate benefit coverage for retired workers, divorced spouses, widows, and disabled spouses and widows.

One way to insure the adoption of these concepts would be the enactment of some form of earnings sharing, the most widely discussed method for improving women's treatment under social security. For this reason much of this testimony will focus on earnings sharing.

Major changes in the economic role of women and in the institution of marriage have occurred since social security was enacted. Trends such as the escalating divorce rate and the increasing number of women in the labor force led the 1979 Advisory Council on social security to conclude that a thorough examination of the treatment of women was among its most important tasks.

The Council spent more time on this issue than on any other and the majority agreed that some system of earnings sharing would appear to be the most promising way of achieving equity for women under the social security system.

We concur with this but believe, as did the Council, that earnings sharing is a very complex policy change and some problems remain in all specific plans for implementing it. Earnings sharing would be likely to benefit divorced women, two earner couples in which women have worked for more than 10 years, and widows who have been in the work force for more than 10 years.

However, some couples would receive reduced benefits. For example, two earner couples in which the wife has worked for fewer than 10 years would receive less money. As the objective is greater equity for all beneficiaries, it would seem that a hold-harmless provision would be a worthwhile component of any earnings sharing proposal.

The association agrees with the supplementary statement of Commissioners Ball, Keyes, Kirkland, Moynihan, and Pepper of the National Committee on Social Security that there are many technical and administrative questions to be worked out, but that the problems are not insurmountable. We join them in urging renewed efforts to develop a comprehensive proposal based on the concept of earnings sharing.

In addition to earnings sharing, there are other ways to provide more equitable treatment of women under social security. The association favors increasing the number of dropout years for parents who remain out of the labor force, in order to perform child care and other homemaker responsibilities. We were disappointed that the Senate-approved increase of 2 dropout years was dropped in conference this spring. We believe it's necessary to increase the number of dropout years to avoid penalizing those parents, mostly women, who remain out of the work force to perform child care responsibilities.

In conclusion, we applaud the continuing efforts of this task force to develop ways of insuring equity for women under social security. As we have indicated, we believe that a principle of no direct harm should prevail in considering any major policy change so that new inequities are not created in the process of eliminating the inequities that currently exist in the social security system.

We appreciate this opportunity to appear before you today and welcome working with you in the future.

Ms. OAKAR. Thank you for your very fine testimony. I hope you get it. There are earnings sharing bills and there are earnings sharing bills. And in the bill that I and Senator Cranston have introduced, does not penalize the homemaker. I'm very sensitive to that issue. My own mother was a homemaker and I certainly would not have wanted to penalize her and other women like her in the process, because homemakers are poor also when they're older. We have a clause that protects the homemakers in the transition area and would like you to take a look at that, because I think that there are differences in various bills and that is one that does not penalize the homemaker.

Ms. LUSKEY. We recognize that there are differences. We just wanted to go on record for the no direct harm.

Ms. OAKAR. There have been other bills previously introduced in the Congress that did not, you know, display that interest. I think that's important that you did mention it and we're glad that in the broad terms the League has taken an issue, a stand on these issues. It's very, very important since you're such an important organization.

Thank you.

[The prepared statement of Ms. Luskey follows:]

PREPARED STATEMENT OF CHARLOTTE LUSKEY, MEMBER, PUBLIC POLICY COMMITTEE, CHAIRMAN, COMMITTEE ON AGING, THE ASSOCIATION OF JUNIOR LEAGUES, INC.

I am Charlotte Luskey of Chevy Chase, Md., a member of the Association of Junior Leagues' Public Policy Committee and chairman of the Association's Committee on Aging. I also am a past president of the Junior League of Washington, D.C. I am especially pleased to be presenting testimony to the Task Force on Social Security and Women of the Select Committee on Aging. The Association of Junior Leagues is an international women's volunteer organization with 243 member Leagues in the United States, representing approximately 148,000 individual members. Junior Leagues promote the solution of community problems through voluntary citizen involvement, and train their members to be effective voluntary participants in their communities.

As a women's organization, the Association is particularly interested in the problems women face under the current Social Security system. Junior League members are experiencing the same trends reflected in national statistics—for example, many of our members are working; more are having to combine work, child care, and family responsibilities. In addition, those Junior League members who are full-time homemakers also need the economic help of this legislation in planning for the future.

While we do not collect demographic information on all of our members, we do have some data for individual Junior Leagues which would appear to be representative. These data suggest that most Junior League members are married, have children, and are college graduates. In addition to their volunteer and family commitments, a substantial number of Junior League members are employed. As of 1982, approximately 41 percent of the women joining the Junior League were employed part-time or full-time. This profile should make clear the reason for the Association's interest in women's treatment under Social Security.

ASSOCIATION POSITION ON WOMEN'S ECONOMIC EQUITY

The Association has been on record since 1981 with the following position statement on women's economic issues which was reaffirmed at the Association's Annual Conference May 15–18, 1983 in Dallas, Texas: "The Association of Junior Leagues supports the goal of fair and equal economic opportunities for women and men and will advocate for the attainment of this goal."

Based on this position statement, the Association has supported a variety of legislative initiatives, including reforms in Social Security and the marriage tax reduction provisions included in the Economic Recovery Tax Act of 1981.

ASSOCIATION POSITION ON WOMEN AND SOCIAL SECURITY

Because of our concerns about women's economic equity, the Association has studied the issue of women's treatment under Social Security. In September 1982, the Association issued a paper, "Women and Social Security," including the following concepts for reform of the Social Security system which were approved by the Association of Junior Leagues' Board of Directors on February 22, 1982:

1. The Social Security system should be structured in recognition of the fact that marriage is an equal partnership in which both spouses make an economic contribution in the paid labor force and in performing homemaker and child care duties.
2. The Social Security system should treat one- and two-earner couples in an equitable manner.
3. The Social Security system should not penalize individuals for choosing to remain out of the work force to perform child care and other homemaker responsibilities.
4. The Social Security system should provide adequate benefit coverage for retired workers, divorced spouses, widows, and disabled spouses and widows.

One way of insuring the adoption of the concepts endorsed by the Association would be the enactment of some form of earnings sharing, the most widely-discussed method for improving women's treatment under Social Security. Because of the widespread interest in this proposal, much of this testimony will focus on earnings sharing.

BROAD TRENDS AFFECTING WOMEN

Before elaborating on our position on Social Security, we wish to call attention to some of the major trends affecting women in the United States. To mention a few:

Since 1970 the divorce rate has jumped from 47 to 109 divorces per 1,000 couples; many divorced women are ill-prepared for the job market because they have not been in the labor force for many years.

More than 53 percent of all women are in the labor force.

Forty percent of the total work force is composed of women, and women are projected to comprise 50 percent of the work force by 1990.

These trends, among others, led the 1979 Advisory Council on Social Security to conclude that "a thorough examination of the treatment of women was among its most important tasks"; the council spent more time on this issue than on any other. We concur with the council's findings that:

Major changes in the economic role of women and in the institution of marriage have occurred since Social Security was enacted.

These changes call for modifications in the way in which the Social Security system treats women.

We also believe, as the majority of the council agreed, that some system of earnings sharing would appear to be the most promising way of achieving equity for women under the Social Security system. However, as the council pointed out: Earnings sharing is a very complex policy change and "some problems remain in all specific plans" reviewed by the council.

REPORT OF NATIONAL COMMISSION ON SOCIAL SECURITY REFORM

Because of the urgency of the long-range solvency issues facing the social security system, the National Commission on Social Security Reform declined to recommend major action regarding women's equity. However, now that these financial problems have been addressed, the issues concerning women should be addressed as well. As the supplementary statement by Commissioners Robert M. Ball, Martha Keys, Lane Kirkland, Daniel Patrick Moynihan and Claude Pepper (statement 2-1) entitled

"Long-Term Financing and Issues of Special Concern to Women" affirmed, "substantial inequalities persist and much remains to be done" (statement 2-5). The supplementary statement also called for greater consideration of earnings sharing and included the following comments:

> Earnings sharing has been proposed in many forms and was recommended for consideration by both the 1979 Advisory Council on Social Security and the 1980 President's Commission on Pension Policy. Obviously, such a comprehensive change in structure requires careful development of a detailed proposal and thorough analysis of its impact. There are many technical and administrative questions to be worked out and special consideration must be given to continued strong protection for the family against death or disablement of its primary wage-earner. These are not insurmountable problems, however. We believe that earnings sharing is the most promising approach to the solution of social security problems of special concern to women and we urge renewed efforts to develop a comprehensive proposal based on this concept (statement 2-7, 8).

EARNINGS SHARING

Earnings sharing would be likely to benefit divorced women, two-earner couples in which women have worked for more than 10 years, and widows who have been in the work force for more than 10 years. However, some couples would receive reduced benefits. For example, two-earner couples in which the wife has worked for fewer than 10 years would receive less money. If the policy objective is greater equity for all beneficiaries, it would seem that a "hold harmless" provision would be a worthwhile component of any earnings sharing proposal.

TECHNICAL COMMITTEE'S FINDINGS ON EARNINGS SHARING

Obviously, there is a need for research on the impact that earnings sharing would have on beneficiaries of the Social Security system. Fortunately, an ad hoc group of women has been working since January 1982 on women and social security, with special emphasis on earnings sharing. This group, known as the Technical Committee, obtained funding for a computer simulation to determine the potential impact of earnings sharing. The Association of Junior Leagues has been following the Technical Committee's computer simulation of the impact of earnings sharing, and has been especially interested in its production of data suggesting the impact of the earnings sharing proposal on different types of beneficiaries. We await the final report of the committee with interest. We are eager to help develop a proposal that will be both financially viable and equitable for women.

DROPOUT YEARS

In addition to earnings sharing, there are other ways to provide more equitable treatment of women under social security. As the reform concepts endorsed by the association's board indicate, the association favors increasing the number of dropout years for parents who remain out of the labor force in order to perform child care and other homemaker responsibilities. We were disappointed that the Senate-approved increase of 2 dropout years this spring was dropped in conference. We believe it is necessary to increase the number of dropout years to avoid penalizing those parents (mostly women) who remain out of the work force to perform child care responsibilities.

CONCLUSION

In conclusion, we applaud the continuing efforts of this task force to develop ways of insuring equity for women under social security. As we have indicated, we believe that a principle of "no direct harm" should prevail in considering any major policy change so that new inequities are not created in the process of eliminating current inequities that exist in the social security system.

We appreciate this opportunity to appear before you today.

Ms. LUSKEY. Thank you.

Ms. OAKAR. Thank you.

Mr. McCain?

Mr. McCAIN. I have no questions, Madam Chairwoman. I would just like to thank everyone again for their patience and also to say that maybe during the next hearing they can go first.

Ms. **Oakar**. Thank you.

Mr. **McCain**. Thank you.

Mr. **Oakar**. Yes, we tried to kind of work it so that as we got the testimony in, that's pretty much the way we did it, believe it or not, so, Ms. Finn, we're glad that you are with us also. Eagle Forum has appeared before our committee in the past and we're very happy that you—and I believe the last time we had about nine people here testifying, so we're glad that you are able to be with us as well.

STATEMENT OF JUDITH FINN

Ms. **Finn**. Thank you, Madam Chairman. I want to thank you for allowing me to testify this morning and for your tolerance in hearing a dissenting opinion.

My name is Judith Finn. I am a homemaker from Oak Ridge, Tenn. I was trained as an economist and political scientist and have worked for several years, doing public policy research and teaching political science before I became a mother 7 years ago.

I have written a book entitled "The Treatment of Women Under Social Security" and am chairman of the Task Force on Social Security for Eagle Forum, a national organization of women with traditional moral and family values, most of whom are homemakers.

I will summarize my testimony and ask that the full statement be submitted in the record.

Ms. **Oakar**. Without objection, we will do that.

Ms. **Finn**. Social security is sex neutral. The proposals like earnings sharing have nothing whatever to do with gender-based distinctions. Most of the changes in social security which have been made in response to the quest for sex neutrality have benefited men and not women. However, for better or worse, women are now treated the same as men under social security law. Women who choose to have a career and who must work for a considerable part of their lives have the same social security protection that comparable men have and their benefits are calculated in exactly the same manner, regardless of their sex or marital status. The fact is that problems experienced by small groups of women under social security arise because women are treated the same as men. These facts have long been recognized and are documented in my written statement.

Another way to measure social security effects on women is to determine whether women as a group get as favorable a return on their taxes as they pay into social security as men do. When measured this way, women get an even higher return from social security taxes than men. If we compare the total taxes paid to the total benefits received by women beneficiaries, either on the basis of their own or their husband's earnings, women currently pay 25 percent of the taxes and receive 50 percent of the benefits. Some women get benefits from social security without paying any social security taxes, but if we restrict the comparison to women working in covered employment, we still find no evidence that women are shortchanged, and we find that the cost of paying benefits to women workers and their dependents is higher than the cost of paying benefits to men workers and their dependents.

Indeed, if separate systems were established, women workers would have to pay social security taxes about 9 percent higher than men would have to pay. Since women pay the same social security tax rate as men, this means women in the labor force get a higher return for their taxes than men do. Therefore, it cannot be said that the present social security system is unfair to women workers as compared to men workers.

The alleged problem of sex discrimination and unfair treatment of women is, in reality, an issue of concern for people in particular situations who may be disadvantaged by social security. These concerns are no more basic and widespread than many others that must be balanced under a social security system of social adequacy.

The first problem is that divorced homemakers who do not remarry by the time they retire are sometimes left with inadequate social security benefits. The second problem is the question of whether the secondary earner is being treated fairly by social security.

A homemaker who divorced after 10 or more years of marriage is often left with inadequate social security benefits if she does not remarry. This group is quite small due to the very high probability of remarriage. The wife's benefit, payable under the present law, was designed as a supplement for couples living together, and is therefore inadequate to maintain a separate household with no separate income.

In addition, having been primarily a homemaker for 10 or more years makes it difficult to establish an earnings record large enough to produce a primary benefit that is substantially higher than the wife's benefit. Thus, the divorced homemaker frequently does not add to her guaranteed wife's benefit by her earnings record. As many critics have pointed out, there is a need, when marriage ends in divorce, to obtain an equitable settlement of the joint assets of the marriage, including the accumulated claims to retirement benefits.

The social security law presently prevents divorce courts from dividing accumulated claims to social security retirement benefits. The law does provide a wife's benefit for divorced wives who have been married 10 or more years. But this is defined as half the primary benefit. And this is not usually an equitable division of retirement benefits. A limited earnings sharing plan would have distinct advantages in the case of divorce. However, even with the limited earnings sharing at divorce, there are significant problems that have not yet been resolved. So, we cannot yet give our support to this proposed reform.

For example, if a marriage of 30 years ends in divorce and one spouse were able to mandate earnings sharing, as in the case of H.R. 2739, the primary earner could have his benefits cut in half and the spouse may not even use those earnings credits if she remarries. Even though earnings sharing would facilitate an equitable division of assets at divorce, this is no argument for imposing mandatory earnings sharing on everyone.

The second problem is whether the secondary earner is being treated fairly. Since the two-income family does not receive as high a return from the total social security taxes paid as the one-income family, the one-income family appears to receive the most value for its social security taxes. This is because of the existence of the guaranteed minimum benefit, defined by the wife's benefit. However, this benefit is available to all families. It must be emphasized that the secondary earner in a two-income family receives all the benefits she has earned. She is treated equally with all other workers, male and female. It is repeatedly alleged that all working women really want is to receive benefits on the same basis as their husbands. However, under the present system she will always receive at least that amount. In addition, as a worker she will receive survivor's and disability insurance which she would not have had if she has not been in the labor force.

Even though both workers in a two-income family receive all the retirement benefits they earn, they feel cheated because their retirement benefits are not proportionally higher, and sometimes no higher than if the wife had not been in the labor force and received only the wife's benefit.

The wife's benefit is properly understood as a guaranteed minimum for a dependent wife whose primary career is that of a homemaker who is performing a socially valuable function of nurturing children and taking care of her family. In no sense is the wife's benefit taken away when the wife enters the labor force and obtains a social security retirement benefit greater than her minimum benefit, and therefore substitutes one type of social security protection for another.

Therefore, we conclude that neither the inability of the wife to add to her workers benefit to her wife's benefit, nor the fact that other wives claim that minimum benefit and she does not, should be considered an inequity against the secondary earner or the two-income family.

We are opposed to mandatory earnings sharing proposals like H.R. 2742 because they are a far more radical form of restructuring social security than is necessary to address the existing problems. Critics of social security have said that earnings sharing departs from the traditional understanding of viewing marriage as an economic partnership based on an increasing recognition of the economic contribution of the homemaker to her family.

However, the economic contributions of homemakers has long been recognized, especially by social security. Viewing marriage as an economic partnership hardly breaks with tradition except insofar as marriage has long been recognized to be much more than that. The break with the traditional concept of marriage, which is inherent in earnings sharing, is that it requires each individual to have a social security in his or her own right, as if he or she, should always remain independent and self-sufficient, rather than becoming part of an interdependent family.

The traditional division of labor within a family does not mean that the family is not an economic partnership, nor an equal partnership. There has been much said today about the changing roles and how this necessitates earnings sharing. However, I would like to point out, that despite the fact that the labor force participation rate of women is increasing the contribution that women make to total family income has remained the same since about 1920.

Our major objection to earnings sharing is that it hurts the traditional family by eliminating the wife's benefit, thus reducing its benefits substantially. In the HEW report of 1979 they estimated this to be about 20 percent.

It also represents an unwarranted governmental interference in the affairs of the family by dictating an equal entitlement to the family's social security benefits. Supporters of earnings sharing often claim to be representing the best interests of the homemaker by giving her benefits in her own right. However, homemakers correctly see that earnings sharing is a guise for the elimination of the wife's benefit. It should be remembered that homemakers from all over this country spoke out forcefully against earnings sharing at the series of regional hearings held by the National Commission on Social Security and by the Social Security Subcommittee of the House Ways and Means Committee in 1979.

Ms. **Oakar**. We do have a vote and rather than come back, if it's possible, if we could just ask you to summarize just a little bit faster, we'll submit your entire statement for the record.

Ms. **Finn**. OK.

Ms. **Oakar**. We'd be grateful. We have about 9 minutes left before we have to go to vote.

Ms. **Finn**. OK. Totally apart from the income effects of cutting the benefits of the traditional family where the wife is primarily a homemaker, the most important reason for retaining the wife's benefit is that its elimination would almost certainly have a negative impact on child development. This statement is documented in my written statement, and I'll just conclude by saying that we feel that limited earnings sharing at divorce has potential, if some of the major problems can be satisfactorily addressed.

We also support the concept of the inheritability of the surviving spouse, of the earnings credits of the deceased spouse during their marriage as specified by your bill, H.R. 2744, and we feel the best way to help those women who pursue both a career as a homemaker and in the labor market, at different times in their lives, is to increase the number of child care dropout years that can be excluded from their earnings records.

[The prepared statement of Ms. Finn follows:]

Thank you.

PREPARED STATEMENT OF JUDITH FINN

My name is Judith Finn. I am a homemaker from Oak Ridge, Tenn. I was trained as an economist and political scientist and I worked for several years doing public policy research and teaching political science before I became a mother 7 year ago. I have written a book entitled "The Treatment of Women Under Social Security," [1] and am Chairman of the Task Force on Social Security for Eagle Forum, a national organization of women which traditional moral and family values, most of whom are homemakers.

SEX DISCRIMINATION

The accusation that social security discriminates against women has been frequently made. All these charges are contrary to the long-known fact that social security is sex-neutral. Sex neutrality has been assured through various Congressional amendments to the Social Security Act and by several Supreme Court decisions.[2]

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[1] Judith B. Finn, "The Treatment of Women Under Social Security: A Critique of Proposed Reforms," The Free Congress Research and Education Foundation, Washington, D.C., 1981.

[2] *Ibid.*, pp. 19-21, and, Peter W. Martin, "Social Security Benefits for Spouses," Cornell Law Review, 63:5, June 1978, pp. 789-840.

Despite all the rhetoric about sex discrimination which surrounded the public release of the 1979 HEW Changing Roles Report, the report contains only a 13-page discussion of "gender-based distinctions" wherein it is admitted that these distinctions are very minor, "very technical and have limited applicability."[3] Furthermore, the nine minor provisions discussed in the report constitute discrimination against men, not women, and they involve only a small number of men! There has been no opposition to the changes which would be necessary to extend to such men those benefits that similarly situated women already have. The proposals like earnings sharing have nothing whatever to do with gender-based distinctions.

Most of the changes in social security which have been made in response to the quest for sex neutrality have benefited men, not women. For example, until 1972, women could drop 3 more years than men from the averaging period for figuring retirement benefits. This provision had been designed to compensate women for their more intermittent pattern of participation in the labor force. In order to ensure that social security be completely sex-neutral, the number of years that both men and women could drop was set at 5. Women in the aggregate have become worse off due to these changes.

However, for better or worse, women are now treated the same as men under social security law. Women who choose to have a career or who must work for a considerable part of their lives have the same social security protection that comparable men have, and their benefits are calculated in exactly the same manner regardless of their sex or marital status. The fact is that the problems experienced by women under social security arise *because* women are treated the same as men. These facts have long been recognized.[4]

The frequent and exaggerated charges of discrimination and inequities against women by the "women's movement" have drawn unwarranted attention to the issue of the treatment of women under social security and have improperly focused the debate. Even those who realize the charges are erroneous feel compelled to answer them, providing credibility to them. Thus, the problems that certain groups of women have under social security have been elevated above countless other concerns of equal importance. These are not matters of sex discrimination in the present system, and the answers cannot be found in further sex neutrality.

WOMEN RECEIVE GREATER RETURN THAN MEN FROM TAXES PAID

Another way to measure how social security affects women is to determine whether women as a group get as favorable a return for the taxes they pay into social security as men do. When measured this way, women get an even higher return from social security taxes than men. Women tend to get more for what they pay because women tend to live longer and retire earlier than men and therefore collect benefits longer. Because their average wages are lower, women also receive a greater advantage from the weighted-benefit formula. These two factors outweigh the fact that more secondary benefits are paid on the basis of men's wage records than on women's.

If we compare the total taxes paid to the total benefits received by women beneficiaries, either on the basis of their own or their husbands' earnings, women currently pay 25 percent of the taxes and receive about 50 percent of the benefits. When measured in terms of return from social security taxes, it simply cannot be argued that women in the aggregate are disadvantaged by social security. Some women get benefits from social security without paying any social security taxes. However, if we restrict the comparison to women working in covered employment, we still find no evidence that women are shortchanged. If we compare the taxes paid by working women to the benefits based on earnings of women and received by all types of beneficiaries, we find that the cost of paying benefits to women workers and their dependents is higher than the cost of paying benefits to men workers and their dependents. Indeed, if separate systems were established, women workers would have to pay social security taxes that are about 9 percent higher than men would have to pay.[5] Since women pay the same social security tax rate as men, this means that women in the labor force get a higher return for their taxes than men do. Therefore, it cannot be said that the present social security system is unfair to women workers as compared to men workers.

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[3] U.S. Dept. of Health, Education and Welfare, "Social Security and the Changing Roles of Men and Women," HEW, Washington, D.C., 1979, p. 129.

[4] Ball, Robert M., Testimony at Hearings before the U.S. Congress Joint Economic Committee, "The Treatment of Women Under Social Security", Economic Problems of Women, 93rd Congress, 1st Session, Washington, D.C., p. 133. See also, Task Force on Social Security, "Women and Social Security: Adapting to a New Era," a working paper prepared for the Special Committee on Aging, U.S. Senate, October 16, 1975.

[5] 1979 Advisory Council on Social Security, "Social Security Financing and Benefits," December 1979, p. 92.

IDENTIFICATION OF REAL PROBLEMS

The alleged problem of sex discrimination and unfair treatment of women is in reality an issue of concern for people in particular situations who may be disadvantaged by the social security system. These concerns are no more basic or widespread than many others which must be balanced under social security. The first problem is that divorced homemakers who do not remarry by the time they retire are sometimes left with inadequate social security benefits. The second problem is whether the secondary earner is being treated fairly by social security.

A homemaker who divorces after 10 or more years of marriage is often left with inadequate social security benefits if she does not remarry. This group is quite small due to the very high probability of remarriage. The wife's benefit payable under the present law was designed as a supplement for couples living together and is therefore inadequate to maintain a separate household with no other income. In addition, having been primarily a homemaker for ten or more years makes it difficult to establish an earnings record large enough to produce a primary benefit that is substantially higher than the wife's benefit. Thus, the divorced homemaker frequently does not add to her guaranteed wife's benefit by her own earnings record. As many critics have pointed out, there is a need, when a marriage ends in divorce, to obtain an equitable settlement of the joint assets of the marriage including the accumulated claims to retirement benefits. The social security law presently prevents divorce courts from dividing accumulated claims to social security retirement benefits. The law does provide a wife's benefit for divorced wives who had been married ten or more years, but this is defined to be one-half of the primary benefit. This is not usually an equitable division of retirement benefits.

A limited earnings sharing plan would have distinct advantages in the case of divorce. However, even with limited earnings sharing at divorce, there are significant problems that have not been resolved. For example, if a marriage of 30 years ended in divorce and one spouse were able to mandate earnings sharing as in the case of H.R. 2739, the primary earner could have his benefits cut in half and the spouse may not even use the earnings credits if she remarries.

Even though earnings sharing would facilitate an equitable division of assets at divorce, this is no argument for imposing mandatory earnings sharing for everyone.

The second problem is whether the secondary earner is being treated fairly since the two-income family does not receive as high a return from its total social security taxes as the one-income family. The one-income family appears to receive the most value out of its social security taxes, because of the existence of the guaranteed minimum benefit defined by the wife's benefit. However, this benefit is available to all families. It must be emphasized that the secondary earner in a two-income family receives all the benefits she has earned, and she is treated equally with all other workers, male and female. It is repeatedly alleged that all working women really want is to receive benefits on the same basis as their husbands. Under the present system, she will receive at least that amount. As a worker she also receives survivor's and disability insurance which she would not have had if she had not been in the labor force. Even though both workers in a two-income family receive all the retirement benefits they earn, they feel cheated because their retirement benefits are not proportionally higher and sometimes are no higher than if the wife had not been in the labor force and received only a wife's benefit. The wife's benefit is properly understood as a guaranteed minimum benefit for a dependent wife whose primary career is that of a homemaker who is performing the socially valuable function of nurturing children and taking care of her family. In no sense is the wife's benefit "taken away" when a wife enters the labor force and obtains a social security retirement benefit greater than her minimum benefit, and therefore substitutes one type of social security protection for another. Therefore, we conclude that neither the inability of a wife to add her worker's benefit to her wife's benefit, nor the fact that other wives claim that minimum benefit and she does not, should be considered an inequity against the secondary earner or the two-income family.

CRITIQUE OF EARNINGS SHARING

We are opposed to mandatory earnings sharing proposals like H.R. 2742 because they are a far more radical restructuring of social security than is necessary to address the existing problems. Critics of social security have said that earnings sharing departs from the traditional understanding by viewing marriage as an economic partnership, based on an increasing recognition of the economic contribution of the homemaker to her family. However, the economic contribution of homemakers has long been recognized especially by the social security system. Viewing marriage as an economic partnership hardly breaks with tradition, except insofar as marriage has also long been recognized to be much more than that. The break with the traditional concept of marriage which is inherent in earnings sharing is the way it requires each individual to have social security in his or her own right as if he or she should always remain independent and self-sufficient rather than becoming part of an interdependent family. The traditional division of labor within a family does not mean that the family is not an economic partnership or not an equal partnership.

Our major objection to mandatory earnings sharing is that it hurts the traditional family by eliminating the wife's benefit thus reducing its benefits substantially. It also represents an unwarranted governmental interference in the affairs of the family by dictating the equal entitlement to the family's social security benefits. Supporters of earnings sharing often claim to be representing the best interests of the homemaker by giving her benefits "in her own right". However, homemakers correctly see that earnings sharing is a guise for the elimination of the wife's benefit. It should be remembered that homemakers from all over this country spoke out forcefully against earnings sharing at the series of regional hearings held by the National Commission on Social Security and by the Social Security Subcommittee of the House Ways and Means Committee in 1979.

DEFENSE OF THE WIFE'S BENEFIT

Totally apart from the income effects of cutting the benefits of the traditional family where the wife is primarily a homemaker, the most important reason for retaining the wife's benefit is that its elimination would almost certainly have a negative impact on child development. Economists agree that the elimination of the wife's benefit would cause an increase in the labor force participation of married women. Mothers who would otherwise choose to stay at home and take care of their own children would be induced to enter the labor force. A review of the child development literature indicates that there are strong reasons to fear that this would lead to a decline in the quality of care received by these mothers' children and a decline in these children's development.[6] This is confirmed by the research of other social scientists who document the lower time-imputs into child rearing by working mothers,[7] by the research of economists which shows a positive relationship between parental-time-inputs and child development,[8] and by educational researchers who have found that children living in two parent homes show lower school achievement if their mothers work. And the negative effect on school achievement is greater if the mothers work full-time.[9]

Another adverse effect of forcing more women into the labor force by eliminating the wife's benefit would be to worsen the already difficult financial situation projected for social security during the second and third decades of the 21st century. This is so because there is a negative relationship between fertility and labor force participation. A decline in the birth rate would mean a decline in the number of future contributors to the pay-as-you-go social security system, an effect that would offset some of the savings projected by the elimination of the wife's benefit.

CONCLUSION

We feel that limited earnings sharing at divorce has potential if some of the problems can be satisfactorily addressed. We also support the concept of the inheritability by a surviving spouse of the earnings credits of the deceased spouse earned during their marriage, as specified by H.R. 2744. We feel the best way to help those women who pursue both a career as a homemaker and in the labor market at different times in their lives is to increase the number of child-care drop-out years that can be excluded from the earnings record.

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[6] Raymond and Dorothy Moore, et al., "School Can Wait," Brigham Young University Press, Provo, Utah, 1979. Selma Fraiberg, "Every Child's Birthright: In Defense of Mothering," Basic Books, N.Y., 1977.

[7] Russell Hill and Frank Stafford, "Parental Care of Children: Time Diary Estimates of Quantity Predictability and Variety," Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, November 1978, (ISR No. 8004) (Published: Journal of Human Resources, 1980).

[8] Belton Fleisher, "Mother's Home Time and the Production of Child Quality," Demography, May 1977, pp. 197-212.

[9] Ann M. Milne, et al., "Single Parents, Working Mothers, and the Educational Achievement of Elementary School Age Children," and David E. Meyers, et al., "Single Parents, Working Mothers, and the Educational Achievement of Secondary School Age Children" (draft), Reports prepared under contract No. 300-80-0778 with the U.S. Department of Education, Washington, D.C., 1983.

Ms. OAKAR. Well, thank you, and I'm very happy to have the support for the bill as you feel you can support. I think that's a step in the right direction, in any event, and Mr. McCain, did you have questions?

Mr. MCCAIN. I have two questions, Madam Chairwoman, but I would submit them in writing.

Ms. OAKAR. I want to just make one quick point. Many homemakers before they become homemakers, like my mother, were working and achieved a certain number of quarters. In a sense they'd be vested. But if they're out of that work force for a period of time they're not covered by disability. We get hundreds of letters from homemakers who paid into the system and have terrible diseases like multiple sclerosis. They feel it's very unjust that they stayed at home after they paid in their quarters and are not eligible for disability because of restrictions the law places on them.

I'm sure you would want to correct that, particularly with your thrust. And this bill would do that. This bill would provide disability because of an earnings sharing approach, for all homemakers, providing they paid into the system, irrespective of how long they've been out of the work force, particularly if you respect the idea that they are staying at home with their children or taking care of that parent, or whatever the case might be.

I just wanted you to think of that and take a quick look at that. I'd be happy to have your views on that when you do.

I want to thank all of our witnesses and I want to thank Chairman Roybal and a very fine staff who did such a great job and we will have 30 days for submission of other kinds of materials and the questions that we want to ask all of you in writing.

Ms. OAKAR. With that, the Task Force on Social Security is adjourned.

[Whereupon, at 1:50 p.m., September 22, 1983, the hearing was adjourned.]

[The subsequent information was received for the record:]

NATIONAL FARMERS UNION,
Washington, D.C., September 20, 1983.

Hon. MARY ROSE OAKAR,
Chair, Task Force on Social Security and Women, Select Committee on Aging, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSWOMAN OAKAR: Thank you for the opportunity to present for the record our concerns relating to the problems women face under the current Social Security Old Age and Survivors Insurance Program.

National Farmers Union represents farm families across the heartland of America who raise the food and fiber to feed our nation and people around the world. Research has shown that the family farm is the most efficient unit for abundant production, and farmers have demonstrated an outstanding record for increased productivity.

However, prices for their products are set far from the fields of production, and farm income is often low and fluctuating because of costs and conditions beyond their control. During the last four years, farmers have suffered a steep decline in net income so that in 1982 the average farm family net income was about $8,000.

National Farmers Union has supported Social Security since its enactment in 1935 and worked to see that farmers were finally included in coverage in 1955. We have supported the minimum monthly benefit and other expansions of service and coverage. We have recognized the important contribution that Social Security retirement and disability benefits provide for farm families. Because of low and fluctuating family net incomes, farm men and women often receive much less than the maximum retirement benefits. Recently, I met with a group of retired farm people at our Pioneer Encampment in Colorado. I asked them to note for me the amount of their Social Security checks. They ranged from about $200 for an individual older woman to about $500 for a farm couple.

Farm women have been particularly disadvantaged in relation to Social Security coverage. Although it is estimated that over 70 percent of women in farm families actively participate in the farm work and in the management they have been discouraged from paying their own Social Security coverage. Although farming is the third most dangerous occupation following forestry and mining, I think there has been a lack of understanding of the importance of the Social Security disability and survivor benefits. And I expect that many farm people are not aware that farm women are not provided this coverage when Social Security taxes are paid into their husbands' accounts.

We have met with the staff of the Social Security Administration, and they point out that Federal law seems quite specific in noting that intent to operate as partners is sufficient for eligibility for Social Security coverage, even where there may be no written legal document to confirm the partnership. Therefore, there does not appear to be need for additional legislation. However, I believe we do need to work toward an expanded information program so that farm women, local Social Security staff, and financial advisors are aware of the importance of this coverage.

It has been noted that least year 60 percent of the net farm income for farm families came from off-farm earnings. Many farm women and men must work off the farm, both to pay farm expenses and to provide income for family living. This means that they may have full-time or part-time and sometimes intermittent employment, sometimes at relatively low wage scales, so that their payment into Social Security taxes is far less than the maximum contribution.

It would be extemely helpful if your task force staff could review the possible effects of farm women being able to add to their Social Security base by paying taxes as an operating partner on a family farm in addition to off-farm employment, because in fact many of them do continue to carry on major management and labor responsibilities in addition to their homemaker and off-farm work.

I am attaching a statement on this issue which we have prepared and which includes a letter to Congressman Byron Dorgan from John Svahn, Commissioner of Social Security, relating to this issue.

I would appreciate having this letter and the attached material included in your hearing record to expand the information on this very important area of economic equity for women across our nation.

Kindest personal regards.

Sincerely,

Ruth E. Kobell,
Legislative Assistant.

Attachments.

Farm Women and Social Security

Social Security legislation was enacted in 1935. It provided retirement benefits to covered workers. Farmers were not included in coverage until 1956. Over the years coverage was expanded to include disability and survivor benefits as well as medicare which provides hospital and medical benefits to those eligible for social security retirement.

Social security has been financed primarily by contributions from employees and employers and the self-employed. Self-employed persons, including farmers have paid one-and-a-half times the rate of employee contributions as their payment into social security. The 1983 Social Security Amendments change this so that effective on January 1, 1984, farmers and other self-employed persons will pay taxes equal to the combined employer-employee rate of 7 percent for a total of 14 percent of net income. The law provides credits against the SECA tax liability for 1984 through 1989 equal to a percentage of self-employment income according to a schedule of 2.7 percent in 1984, 2.3 percent in 1985 and 2 percent for the balance of the period.

National Farmers Union recommended a tax credit for self-employed as a better way to address the increase in the social security tax than the business deduction which was first recommended by the Social Security Commission. We believed that refundable tax credit would have been more useful for farmers and other self-employed people who had little or no income tax liability because of low net income.

Many farm families cannot earn full social security retirement benefits because they often have low and fluctuating net farm income on which social security taxes are paid. Recently many of them have had to take the option of paying on the $1,600 minimum base because they have had, in fact, no net income.

FARM WOMEN ELIGIBLE FOR SOCIAL SECURITY COVERAGE

Farm women, many of whom for all intent and purpose are partners in the farming operation, often are not recognized as eligible for the payment of self-employment taxes towards a social security account in their own name.

The Federal law seems quite specific in noting that intent to operate as partners is sufficient for social security purposes, even where there may be no written legal document to prove the partnership. As a practical matter, we find many examples in our work with farm women where administrative rules and practices are being interpreted to discourage farm couples from paying social security taxes on both individuals.

The Social Security Handbook of 1982, which is prepared as a reference for social security offices, notes specifically on page 177, section 1107, headed, Business Partners are Self-Employed. "A partnership is generally said to be created when two or more persons join together for the purpose of carrying on a trade or business. Each partner contributes in one or more ways with money, property, labor or skill and shares in the profits and risks of loss in accordance with the partnership agreement."

Two or more persons may be self-employed as partners for income tax and social security purposes, even if they do not operate under a formal partnership agreement or even if they are not considered partners under state law because they have not complied with local statutory requirements.

Social security is not only a program to provide some income for retirement years. It also provides disability protection and protection for survivors of the covered worker. Farming is still the third most dangerous occupation and many farm women participate actively in both livestock raising and operation of machinery. Unless they have their own social security or other disability insurance coverage, they are denied the protections both for disability and for survivor benefits for their children in event of their death.

Many women, because of low wage rates and interrupted employment (they often leave the workforce to raise a family) find they are not able to earn enough social security credits in their own right to receive more than the spouse's benefit which is based on their husband's earnings record. However, because many women are spending more of their lives as single persons, whether as the result of divorce of widowhood, we believe there is increased value in their establishing their own social security eligibility.

When the 1983 social security legislation was passed, many Members of Congress noted that there were still some sex related inequities existing in present social security law. There is a continuing interest in taking steps to make the additional changes. Hearings on the issue are being considered.

We believe it is important that the recognition of the right of farm women in families who want to declare a working partnership have the right to pay their own social security coverage.

Following is a copy of a letter recently sent to Congressman Byron Dorgan from the Social Security Administration regarding the rights of partners to contribute to social security.

It would be extremely helpful if you would talk to your tax accountant and your local social security office about the right of farm women to participate in the social security program, even if you yourself do not wish to avail yourself of the opportunity. I believe it is important that we build an understanding of the value of social security coverage for farm women. I will appreciate your comments.

THE COMMISSIONER OF SOCIAL SECURITY,
Baltimore, Md., March 23, 1983.

Refer to: SEP11.

Hon. BYRON L. DORGAN,
House of Representatives,
Washington, D.C.

DEAR MR. DORGAN: I am responding to your letter of March 7, 1983.

It is true that a formal partnership agreement is not necessary for a wife to be considered an equal partner in a farming operation or other family business. However, the problem has been in deciding whether it is a partnership or whether one spouse is the employee of the other.

For a business to be recognized as a partnership for tax and Social Security purposes, the legal relationship of the partners must be established. The basic test for determining this relationship is whether the parties in good faith and acting with a business purpose intended to join together in the conduct of a particular enterprise and actually did so. Their intent can be ascertained only for examining the circumstances of a particular case. This is done when a claim for benefits is filed.

In addition, a recent U.S. District Court order in the case of *Edwards et al.* v. *Schweiker* relates to crediting self-employment income derived from businesses operated by husbands and wives in community property States. These States include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Puerto Rico, Texas, and Washington. The court has ordered a reallocation of the self-employment income between the spouses in proportion to the amount of labor each contributed to the business. In order to inform couples of the court's decision in these States, a pamphlet was included with the checks mailed to affected beneficiaries March 3, 1982. In addition, in October 1982, we mailed notices to women living in these States whose claims for benefits were denied because of determinations that they had not formed partnerships in the family businesses. Uniform guidelines, contained in our Program Operations Manual, have been issued to all our Social Security offices.

Prior to the court decision, we had been treating the income derived from a family business (other than one carried on as a legal partnership) as the income of the husband. The only exception was of the wife exercised substantially all of the management and control of the business. This treatment was in accordance with section 211(a)(5)(a) of the Social Security Act. Beginning November 1, 1979, we have not followed that provision because of the Federal court order.

Thank you for bringing this matter to my attention. I hope that the information I have furnished has addressed your concerns.

Sincerely,

JOHN A. SVAHN.

TESTIMONY OF RITA RICARDO-CAMPBELL, PH.D.[1], SENIOR FELLOW, THE HOOVER INSTITUTION, STANFORD, CALIF., SEPTEMBER 22, 1983

WOMEN AND SOCIAL SECURITY

Written testimony submitted on request to the Task Force on Social Security and Women of the Select Committee on Aging, House of Representatives, Congress of the United States, September 22, 1983, hearings.

The social security system badly lags in adjustment to the new economic, demographic and legal realities. This shows most clearly in respect to its treatment of women who, over the past fifty years have been dramatically changing their division of time among homemaking, the raising and bearing of children and working for pay.

Recent data indicate that working women are *not* leaving the work force to bear and raise children, even when the children are small. This is an emergent factor of the early 1980s. The labor force participation of women, 25–34 years in 1980 was the same as by women 35–44 years; both at 66 percent. The majority of women today do not "*alternate between* homemaking and paid employment" (italics added) being "unpaid homemakers for part of their lives and paid workers for part of their lives", as an acting Social Security Deputy Commissioner testified before a Senate Finance Subcommittee, July 28, 1983. Rather, women *combine* homemaking and paid work. Because all women, as is true for all men, are not alike, their choices differ. When Social Security was enacted, more women chose not to work for pay, but to marry and have children. In 1940, 14 percent of married women worked; in 1983, over 50 percent of married women are working. More women are choosing to have few children and also work outside the home.

Social security induces the parents of our future generations to limit family size. The 14-percent tax on first dollar earned (economists agree that the employer's match is shifted to the worker in the form of lower wages) means lesser after-tax income. The high inflation of the 1970's and into 1981, partially fueled by indexation of the benefits to the Consumer Price Index [CPI], means that more women perceive it necessary to work for money in order to maintain the family's standard of living. Women who are earners tend to have fewer children than women who do not earn money. Thus, our fertility rate is expected to continue its 200 year decline. The low point was 1.738 births in 1976. The rate subsequently has been slowly rising. The Social Security Administration [SSA] has reduced its "intermediate II B" birth rate assumption from 2.1 average births over a woman's lifetime to 2.0. SSA does not recognize that the more probable rate is either 1.9 or 1.85. However, the Census Bureau does use an intermediate assumption of 1.9 births. In using a 2.0 longrun fertility rate, the SSA underestimates the long run financial imbalance.

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[1] An in-depth article by Rita Ricardo-Campbell, Ph.D on Social Security appears in the book, "To Promote Prosperity: Domestic Policy in the Mid-1908's," John H. Moore, ed., C. 1984, Hoover Institution Press, Stanford, California. Forthcoming.

There has been a recent, slight upward blip in the total fertility rate because a higher proportion of better educated women have postponed having a child until they were in their thirties. These women are now bearing their first child. The usual result of delayed births is that the total number of births over a woman's lifetime falls, and therefore, larger families tend to disappear. In 1979, 28 percent of white women at age 30 were childless, compared to only 14 percent in 1970. Although the increase in births among nonwhite women and the high number of women who today are in their birth-bearing years were sufficient to override the postponement of births by younger women, this effect will be temporary.

For many years I have argued that the fundamental problem of Social Security is that it taxes on the basis of the individual, but pays benefits on the basis of the family unit. Single persons and two-earner families are less favorably treated than one-earner families. Although there may be some societal reasons to favor marrieds over singles, and one-earner families over two-earner families, these reasons and the degree depend on value judgments.

Since 1975 the Supreme Court has consistently ruled that the Social Security system be sex-neutral. The United States has a costly and generous retired, spousal benefit equal to one-half the worker's earned benefit. Among the earnings-related programs worldwide, only Switzerland's has as generous a benefit. The United States' surviving, spousal benefit is the most generous in the world. It equals 100 percent of the worker's earned benefit. Most countries have a survivor's benefit equal to 60 percent or less of the worker's earned benefit.

The method used to add spousal benefits to the Social Security system has contributed to the degree of the subsequent financial imbalance. If a worker who is entitled to a private pension also elects a spousal benefit under a private plan, then the retired worker's pension is usually reduced. The social security spousal benefit was awarded on the assumption that the spouse was dependent, not because the benefit was "paid for." In many cases that is not true today. Many women work; some earn private or government pensions and many receive life insurance benefits upon their husband's death.

The U.S. system pays benefits to spouses, but no one who has worked for the required 10 years can receive a spousal benefit plus his or her earner's benefit, but rather is entitled only to the higher benefit. Because women usually have lower average lifetime earnings than men, their earned benefits usually do not equal the 100 percent, surviving spousal benefit, and sometimes not even half of the retired spouse's earned benefit. I have estimated that 3.5 percent of longrun payroll is met by the "excess" taxes paid by and on behalf of married, working women. I recognize that the system would surely become broke if both benefits in full were paid.

The U.S. system is "saved" in part because no one receives more than one benefit. But this financially necessary rule of the U.S. system penalizes the married woman who works because she receives lesser benefits related to taxes than if she had never worked.

Because this gross inequity is not readily understood, there follows a simplified, hypothetical example. A one-worker family has average, indexed monthly earnings of $200. Upon retirement the earner's benefit is 80 percent of the first $100 and 30 percent of the next $100, yielding $110. The spouse, assumed age 65, receives $55 (half of the primary benefit) and the family benefit is $165.

An identically situated two-worker family, where each earns $100, has an $80 primary benefit for each worker, totaling a $160 benefit, or $5 less. Another, more typical, but otherwise identically situated two-worker family is where one worker earns $140; the other $60. The family chooses between the higher of the two earned benefits and the earned plus the derivative benefit. The family, of course, chooses the highest: $140 (both earned benefits) and not the $138, where one is a derivative benefit. At first glance, the two-worker family believes that it has gained $2 monthly. But if only one worker had earned the $200, the benefits as indicated in the preceding paragraph, would have been $165; or a comparative loss to the two-worker family of $25 monthly.

The Social Security Act makes no distinction because of sex, per se. But by initially adding benefits for spouses assumed dependent without reducing the worker's benefit from which the spousal benefit is derived, Social Security does distinguish between one-earner and two-earner families. In liberalizing the spousal benefits while increasing taxes on the earnings to pay for them, Social Security acts as a divisive force between married women who work and married women who do not work, as well as between young and old. This is unfortunate.

The earliest age at which workers receive at retirement a benefit is 62, and then 80 percent of the full benefit. (The 1983 legislation reduces that amount to 70 percent gradually in an attempt to encourage later retirement.) Surviving spousal benefits are available at age 60. The 1983 legislation provides that divorced spouses receive a retirement benefit even if the earner has not retired. This is not true for still married spouses. In other words, the benefit structure is perceived by many to treat similarly situated individuals differently.

Benefits paid to divorced spouses do not come under the family maximum cap of 175 percent of the worker's benefit. Thus, 300 percent or more can be paid out on one worker's earnings record. Although one person is entitled to only one benefit, the trend is to pile up benefits bases on high earners. Clearly, rewards from Social Security are greater for married workers with dependents than for the single individual, who does not later acquire a spouse. It is also clear that under the present structure of benefits, a two-worker family earning precisely the same total amount as a one-worker family in covered employment, at the same ages and paying the same taxes will receive benefits upon retirement that average 17 percent less for the two-worker family than those for the one-worker family; and their survivor's benefits will average 25 percent less.

A social adequacy argument seems more applicable within the context of transfers of income between generations rather than within the same generation or age group. Under any new social security system earlier generations will always benefit at the expense of later generations, but it is not necessary and it is not usual to favor one group over another in the same age cohort.

The 1983 legislation increases the difference in returns between one-earner and two-earner couples. Although older individuals of two-earner couples still receive more than they and their employers pay in, among individuals at age 40 in 1983 "a two-earner couple earning $25,000 split even (sic) between husband and wife can expect a loss of $15,245 in lifetime income, while a 40 year old one-earner couple can expect to gain approximately $22,600, whether it is the husband or wife who works" (Anthony J. Pellechio and Gordon Goodfellow, "Individual Gains and Losses From Social Security Before and After the 1983 Social Security Amendments", Draft, mimeo, p. 33, June 1983. Cato Institute, San Francisco. Forthcoming. See entire paper for computation method used.)

Although the average income of one-earner families is below that of two-earner families the latter have higher work-related expenses. Also, a one-earner family usually produces larger amounts and a higher quality of household goods and services than the two-earner family. Household produced goods and services are not in the national income accounts. The value of goods and services produced in the household are usually referred to as imputed income, and include such items as home baked bread, personal child care, home upkeep and repair, including wall papering, painting, sewing curtains, upholstering and other time consuming items that two-worker families are likely to purchase rather than produce, because of the lack of time available for household needs.

The social adequacy argument for benefit amounts greater than the taxes paid and the interest forgone has been weakened in respect to the aged. The after-tax per capita income of the aged in the United States is greater than that of younger persons, among whom are parents or potential parents of future generations. The new tax on half the benefits above a given adjusted gross income level recognizes this. However, the 1983 legislation does nothing to correct the inequity towards married women who work. Indeed, they discourage women married to older retired men from working because the tax on half the benefits is triggered at $32,000 for a couple rather than twice the individual's trigger of $25,000.

I recognize that value judgments are involved in deciding which welfare components of the benefit structure should be retained. I support retention of the heavier weights to low, lifetime earnings that give greater benefits in relation to taxes paid to the poor.

Several proposals are being discussed in Congressional Committees, within the Administration and also academia to alter the Social Security system to make it more in tune with today's economic, demographic, and legal realities that center around women. The proposals may be roughly grouped under several headings: tinkering, earnings-sharing, two-tier system and partial, direct resolution of the inequity to married women who work.

Because of the complexity of the system, "tinkering" that corrects one inequity inevitably creates a new inequity.

Earnings-sharing is based on the philosophy that marriage is an equal partnership and therefore earnings by either partner credited for Social Security benefits should be equally divided between husband and wife. Congress has requested that Health and Human Services submit by July 1984, a workable earnings-sharing proposal. Implementation of this proposal will be extremely difficult because of the high number of divorces and remarriages, the practical impossibility of making it retrospective and the concomitant difficulty of phasing-in such a drastic change.

A two-tier system, used by several countries, provides everyone at a given age who has proof of residence, commonly for 40 years, a low monthly benefit to which is added a strictly earnings-related benefit. Although this radical reform would eliminate the inequity, it would be impossible to phase-in without creating new inequities and with our open borders it would invite a greater flow of illegal immigrants.

My direct approach would correct for a 17 percent lesser benefit at retirement and a 25 percent average lesser benefit at survival of two-earner couples when compared to one-earner couples of the same age and with the same amount of earnings subject to payroll tax. I try to meet the following criteria: not increase the dollar costs of the Old Age and Survivor's Disability Insurance system, improve individual equity, and not sacrifice the social adequacy of benefits for those aged who are poor. The proposal has perforce several parts. Additionally, it is intended to encourage, not discourage, the birth of children.

1. Working married women and dependent men upon retirement may add part of their earned benefit to their derivative benefit, the total being capped by 125 percent of the earned benefit or three-fourths rather than half of the spousal benefit, whichever is higher.
2. The spouse married to a worker at the time of the latter's death would be entitled to one-half the worker's benefit plus additional amounts on a prorated basis of one-quarter of the benefit for each 10 years of marriage above 20 years, but with a maximum cap of 100 percent as now exists.
3. This prorated approach would apply also to divorced, spouses' derivative, survivor's benefits: for each ten years of marriage, one-quarter of the worker's benefit.
4. Women would receive two years of earnings credit towards a benefit for each child born. Similar provisions are in social security programs in other countries.
5. The surviving spouse may add 25 percent of an earned primary benefit to the spousal benefit, the total being capped by 133 percent of the earned benefit or 125 percent of the spousal benefit, whichever is higher.
6. If the costs of the above are deemed too high, the benefit paid to retired spouses (one-half the worker's benefit) should be means-tested as was recently enacted in France. Benefits to surviving spouses might also be means-tested.
7. The age for entitlement to a benefit by a surviving spouse should be made to conform to the age of entitlement for all workers and their spouses at retirement, that is, 62 years. It is difficult to tell nonmarried working women that they must wait until age 62 before receiving even a reduced benefit, while nonworking widows, many with sizable benefits from their deceased husband's life insurance, get a benefit at age 60.

PREPARED STATEMENT OF JUDITH FINN, CHAIRMAN, EAGLE FORUM TASK FORCE ON SOCIAL SECURITY

THE PROPOSALS FOR CHANGING SOCIAL SECURITY

This report describes the various proposals for changes in the Social Security system with respect to the treatment of women. The HEW Changing Roles Report described three major options, the Homemaker's Task, The Double Decker, and Earnings Sharing. The 1979 Advisory Council on Social Security recommended a Limited Earnings Sharing plan. In addition, several other versions of earnings sharing and a proposal that would increase the worker's benefit and decrease the wife's benefit are discussed. This report discusses primarily the proposal for earnings sharing.

Earnings sharing

Under the earnings sharing option described in the HEW Changing Roles Report, a couple's total annual earnings would be divided equally between them for the years they were married for purposes of computing retirement benefits. The earnings would be divided when the couple divorced or when one spouse reached age 62. According to the Report, the basic idea underlying earnings sharing is that each spouse should have social security protection in his or her own right since each spouse is an equal partner in the marriage and each makes an economic contribution to the family. Wives benefits would be eliminated, and homemakers would receive a primary benefit as if they had earned half of their husbands' earnings or half of total family income. Surviving spouse (widow's) benefits would also be eliminated.

The basic earnings sharing idea has been modified in the HEW Changing Roles Report in order to pay benefits that are somewhat more comparable to benefits under present law. These modifications are: (1) When one spouse dies, the survivor would be credited with 80 percent of the total annual earnings of the couple during the marriage, but not less than 100 percent of the earnings of the higher earner. These earnings credits could not exceed the earnings base for each year. (2) For purposes of calculating the benefits for children and young surviving spouses caring for children, earnings would not be shared. (3) For purposes of disability benefits, earnings would not be shared, and thus, homemakers would not be extended disability protection under this option.

Under this version of earnings sharing, benefits for widows with children in their care would be reduced from 75 percent per child as under present law to 50 percent per child after the first child who would receive 100 percent of PIA. These benefits would be payable only until a child reaches age seven rather than age 18 as under present law. A one-time readjustment benefit of 100 percent of PIA would be paid to surviving spouses without any eligible children [p. 187].

Critique of HEW earnings sharing option

The Changing Roles Report cites seven "concerns" that warrant change and that prompted and guided the options they proposed. Four of these concerns would not be improved by the earnings sharing option [92, pp. 10-12]. First the Report expresses the concern that homemakers have inadequate social security protection. However, under this earnings sharing option the wife's benefit would be eliminated and the net retirement benefit for a one-income family would be cut as much as 19 percent. Earnings sharing would not provide protection for women who are primarily homemakers and work part-time or intermittently which is any greater than the wife's benefit already provides. Further, homemakers would not be extended disability and surivor's insurance through this option.

The second expressed concern is that widow's benefits are inadequate and there is a "widow's gap" in benefits. The gap when widows receive no social security benefits extends from the time benefits for caring for children end to the time retirement benefits begin. However, the widow's gap would actually increase under this option in that aged widows could not get benefits until age 62 rather than at age 60 as under present law. The benefit amount for widows with children in their care would also be reduced from 75 percent of PIA per child to 50 percent per child after the first child who would receive 100 percent of PIA. The only improvement would be the addition of the one-time readjustment benefit (100 percent of PIA) payable to widows without children in their care.

The third expressed concern is that homemakers have no disability insurance. But this option does not provide it. Since divorced homemakers would be eligible for disability benefits, this option creates a divorce incentive when a homemaker becomes disabled. However, if earnings were to be shared upon disability to remove the perverse incentive, the disability benefits for the one-income family would be cut in half even though all the earned income would be lost if the husband became disabled. Indeed, all the secondary benefits would be based on one-half of the PIA. Under these conditions the homemaker would have disability coverage equal to one-half of the PIA [92, p. 64].

The fourth expressed concern is that married couples have greater protection than single workers. Under earnings sharing, however, the single workers would be worse off compared to married couples because married couples would be able to split their earnings and take advantage of the weighted benefit formula [Munnell concurs, 56, p. 51]. Married workers would also have a further advantage over single workers in the form of superior inheritance rights for the surviving spouse.

The other three "concerns" mentioned by the Report would be improved under the earnings sharing option. First, divorced wives would be better off in that they would have earnings records because they would be credited with one-half of the total family income while they were married. This earnings record could be increased through employment or remarriage.

Second, horizontal equity between couples with the same total income would be achieved. That is, under earnings sharing, the benefits for the one-income couple would be the same as for the two-income couple with the same total earnings.

The third expressed concern is that the two-income family receives a lower return for its social security taxes than the one-income family. Under the earnings sharing option, benefits would be redistributed to the two-income family because of the elimination of the wife's benefit. However, it should be pointed out that making the two-income couple better off vis-a-vis the one-income couple by eliminating the wife's benefit has nothing whatever to do with the earnings sharing concept itself and could be accomplished independently of such a radical change.

One final objection to the HEW earnings sharing option must be mentioned here. The transition period of ten years is absurdly short for families to adjust to such major benefit cuts and to "obtain alternative protection."

Other forms of earnings sharing

Many other formulas for the basic earnings-sharing concept have been discussed for several years. The 1979 Advisory Council devised an illustrative earnings-sharing plan that differs somewhat from the HEW option discussed above. The Council did not recommend the adoption of full-scale earnings sharing but felt it was a promising approach. Thus the Council devised a plan to foster understanding and to encourage debate and discussion of this type of fundamental change. The Council's suggested plan would allow the inheritance of 100 percent of a couple's earnings credits, would not cut benefits for children and widows with young children, would extend disability coverage to homemakers, and would require universal coverage [1, pp. 363-389]. It would also have a much longer transition period than the HEW option.

Voluntary earnings-sharing schemes have also been proposed. Under this type of plan, couples would be able to obtain benefits under present law. Alternatively, they could elect to share their total earnings either on a year-by-year basis or at retirement, divorce, or death. Obviously, couples would choose the alternative which gives them the highest benefits. The most frequent objection to maintaining this kind of flexibility in social security is that the cost would be very high [1, pp. 99-100]. However, it definitely would be in the spirit of social security to preserve these options. For example, representative Bouquard of Tennessee proposed a form of voluntary earnings sharing in H.R. 2912 (96th Congress, 1st Session).

The Fraser-Keys-proposed legislation (HR 3247, 95th Cong., 1st Sess., 1977) is another approach. This bill would have credited individuals with 50 percent of the combined earnings of a couple or 75 percent of the earnings of the higher earning spouse.

Limited earnings-sharing plans have also been proposed. For example, the 1979 Advisory Council recommended a limited form of earnings sharing for divorced couples in lieu of present benefits for aged divorced spouses and aged divorced survivors (thus affecting marriages lasting at least 10 years), and permitting a surviving spouse to inherit the earnings credits of his deceased spouse [1, p. 114]. The HEW Changing Roles Report also presented a limited option providing for earnings sharing at divorce no matter how many years the marriage had lasted (Limited Option No. 10) [92, p. 118].

Critique of earnings sharing concept

The 1979 Advisory Council considered earnings sharing to be the most promising approach for dealing with these issues. However, the Council did not recommend full-scale earnings sharing because the members were not convinced that acceptable methods of dealing with the problems of the earnings-sharing approach have yet been developed. For example, earnings sharing would exacerbate the problems deriving from the lack of universal coverage, and no acceptable means of meshing shared earnings from covered employment with earnings from noncovered employment has been devised [1, p. 111]. The Council was also unsure about how to structure benefits for children and for young surviving mothers and fathers, and about how to limit total family income. The Council was also concerned about the reduced benefits for divorced principal earners, primarily men [1, pp. 112-114].

Because earnings sharing represents such a fundamental change in the philosophy of the social security system, the Council believes it must be fully debated and accepted by the American public before it can be successfully adopted [1, pp. 98 & 114].

"The council believes that such a fundamental change in the program needs to be carefully considered and thoroughly debated by citizens and interest groups throughout the country. Therefore, we recommend that the Congress and all other interested groups carefully examine the concept of earnings sharing and in particular, the illustrative earnings sharing plan developed for the council. So far, the issues raised by earnings sharing have been considered by a relatively narrow segment of our society—primarily social security experts and organized women's groups. The social security system touches some of the most basic institutions and traditions of American life—marriage, the family, and care of dependents and survivors—and the effect of such a major change in this sytem must be carefully considered [1, p. 86]."

The Advisory Council and the HEW Report as well as numerous other critics of social security have said that earnings sharing departs from the traditional understanding by viewing marriage as an economic partnership, based on an increasing recognition of the economic contribution of the homemaker to her family. However, the economic contribution of homemakers has long been recognized (especially by the social security system) except by feminists who believe that the role of a dependent wife is demeaning and inherently unequal to the role of breadwinner. Viewing marriage as an economic partnership hardly breaks with tradition, except insofar as marriage has also long been recognized to be much more than that.

The break with the traditional concept of marriage which is inherent in earnings sharing is the way it requires each individual to have social security in his or her own right as if he or she should always remain independent and self-sufficient rather than becoming part of an interdependent family. The traditional division of labor within a family does not mean that the family is not an economic partnership or not an equal partnership. The homemaker does not need "earnings sharing" as a means of recognizing her worth or enforcing equality within her marriage. She does not need a fictional earnings record, or to be credited on paper with one-half of her husband's earnings so that she can believe that she has social security benefits "in her own right." This contrivance does not change the kind of partnership which she has with her husband, but it does suggest that there must be something wrong with the traditional division of labor, or with making an unpaid contribution to the family, or with a homemaker's economic dependence on her husband's earnings.

Earnings sharing for the traditional family makes no sense and represents an unwarranted governmental interference in the affairs of the family by dictating the equal entitlement to the family's social security benefits. Lifelong partners in marriage certainly do not need the government to ensure that their social security retirement benefits are "in their own right" and equally divided. Their earnings records have not been equal during their entire life together, and we can be sure that they have worked out some method of handling their finances which suits them. We believe it is essential that families be allowed to retain the freedom to define their own marriages and the division of labor as well as the allocation of property and income in the manner that they decide is best for them.

Similarly, earnings sharing makes little sense for the couple where both spouses have careers and earn their own retirement benefits, and whose earnings are relatively equal. Further, earnings sharing would not even help the families with secondary earners in the sense of providing them increased protection for the social security taxes they pay. Nor would it help these families by improving their position relative to the one-income family where the homemaker has never been in the labor force. Earnings sharing would actually worsen their position relative to the one-income family because they would not have as much advantage from the weighted-benefit-formula.

It is not earnings sharing, but rather the elimination of the wife's benefit which changes the relative position and gives the appearance of a greater return for taxes paid. Eliminating the wife's benefit from the present law would have the same effect, even without the adoption of earnings sharing. It is important to distinguish which elements of these options are producing which results. Again, it is the elimination of the wife's benefit—not earnings sharing—which increases the benefits of the two-income family vis-a-vis the one-income family and which does away with the working wife's complaint that the protection she earns duplicates protection she already has as a wife.

Women who are homemakers and acknowledged secondary earners will not receive increased social security protection as a result of earnings sharing, and to claim otherwise is deceitful. Most of those supporting earnings sharing have endorsed a version which would eliminate the wife's benefit. Such supporters of earnings sharing often claim to be representing the best interests of the homemaker. However, at the hearings on the HEW Changing Roles Report held by the National Commission on Social Security and by the Social Security Subcommittee of the House Ways and Means Committee in 1979, homemakers from all over the U.S. spoke out forcefully against the earnings-sharing option in the Report.

A limited earnings sharing plan would have distinct advantages in the case of divorce. As many critics have pointed out, there is a need, when a marriage ends in divorce, to obtain an equitable settlement of the joint assets of the marriage including the accumulated claims to retirement benefits. The social security law presently prevents divorce courts from dividing accumulated claims to retirement benefits. The social security law does provide a wife's benefit for divorced wives who had been married ten or more years, but this is defined to be one-half of the primary benefit. This is not usually an equitable division of retirement benefits (see Chapter I for more discussion).

The fundamental question here is whether earnings sharing should be mandatory for everyone merely because it facilitates an equitable division of assets at divorce. We are told we must adjust to the reality of divorce. But can we do that without encouraging it? Divorce is not a social good to be promoted or subsidized, but it should be treated equitably under social security. A social security system designed for married people will not be optimal for divorced people and vice versa. We have seen that earnings sharing offers disadvantages to married couples, with no compensating advantages. While it does constitute an improvement for divorced persons, that is no argument for mandatory, full-scale earnings sharing for all. The problems now faced by divorced women who do not remarry could be addressed through the limited kind of earnings sharing endorsed by the Advisory Council and discussed above, or through the simpler expedient of permitting divorce courts to divide a couple's social security assets in accordance with the laws prevailing in the State where they reside.

It is important to establish societal norms about what is the normal course of affairs so that social expectations can help us to do what is proper. To recognize the family and the superiority of life-long stable relationships as the norm does not put undue pressure on people to conform nor does it prevent divorce, but it does establish the appropriate norm. To those who suggest that society should not favor one life-style over another, we say on the contrary that it is properly the responsibility of our laws and institutions to do so. The existence of our social order depends upon our ability to maintain the values and the public morality that are its prerequisites.

Other objections to earnings sharing

Full-scale earnings sharing would extend disability coverage to homemakers. This would be very expensive. Indeed, the Advisory Council states that this provision would make up most of the entire cost of the option [1, p. 119]. Disability is always a hardship, but providing disability coverage for homemakers who have no lost wages would be so difficult to administer and expensive that the social security program should not be expanded to include it. Administratively it would be a real nightmare to determine when and if a homemaker is disabled. The system's deterrent to claiming disability in the form of not being able to work would not exist for the homemaker. Disability for homemakers could easily promote the most widespread cheating of any social program. It is in our judgment the kind of risk that families should continue to take for themselves.

Full-scale earnings sharing would be resented by many people who have their own earnings record and do not want to be forced to split their earnings even with their spouses. This concept challenges some of our most basic concepts of property rights.

Earnings sharing would also be administratively very expensive. It would require an entirely new record-keeping system, and the SSA would have greatly increased record-keeping responsibilities. For example, they would have to keep complete marital records on everyone covered by social security. This would result in a significant reduction in the privacy of the individual, more information about each of us being given to the federal government, and greater governmental involvement in the most personal aspects of our lives. The advantages of such fundamental change would have to be far greater than those promised by the earnings-sharing option before such increased administrative costs and increased governmental interference could be warranted.

INCENTIVES TO ENTER THE LABOR FORCE IN THE PROPOSED OPTIONS

This chapter discusses the effect the proposed HEW options would have on increasing the proportion of married women who work outside the home. In questioning the wisdom of adopting such a policy, consideration is given to what women want, to what is good for the children and the families affected, and to the social costs of such a change in our social security law.

All three options proposed in the HEW Changing Roles Report would have the effect of increasing the pressure on dependent spouses (primarily homemakers with children) to enter the labor force seeking paid employment. All three options eliminate the wife's benefit and thus preclude a homemaker form obtaining social security benefits based on her husband's earnings record. The husband would no longer be able to provide for his family's retirement income through his earnings record, even though he is still required by the laws of most of our states to support his family. Homemakers would no longer be treated as part of a family unit, and the protection of the family unit would no longer be a principal goal of the social security system. Homemakers would be treated as independent individuals who would have to obtain social security retirement benefits in their own right.

Under all three options, the homemaker would have an independent social security account either through her own labor force participation or, depending on the option, by paying a tax on the imputed value of her homemaking, by sharing her husband's earnings record and accepting a 19 percent cut in benefits, or by receiving only the Tier I, flat-grant benefit that all residents over 65 years old would receive. Faced with these options after being set apart from her family, unable to obtain retirement benefits as a wife in a traditional family, wives would be under great pressure to enter the work force in order to obtain their own economic security in retirement.

In addition to homemakers having to provide their own economic security in retirement, additional incentives to induce the wife to leave the home would accrue from the fact that the retirement benefits for traditional families would either be cut substantially *or* the costs increased significantly. Many homemakers would have to seek employment in order to earn enough extra money to pay the higher taxes or to replace the lost retirement income. Under the earnings sharing option, the wife's benefit would be eliminated and the homemaker credited with one-half of her husband's work record *as if* she had earned it. For the traditional family the effect would be a reduction in retirement income of 19 percent (about $100 per month at today's levels). Unless the family could afford to purchase additional retirement security to replace the lost social security, the homemaker would feel increased economic and social pressures to take paid employment in order to obtain her own benefits in retirement.

Other provisions of the options would also encourage women to enter the labor force. For example, widows with children in their care would receive greatly reduced protection. No benefits would be paid unless the child were under age seven, rather than under age 18 as under present law, and the benefit amount would be 50 percent of the worker's primary insurance amount rather than 75 percent as under the present law, except that the first child would receive 100 percent of PIA.

The HEW Changing Roles Report says that this substantial cut in benefits is made up by an increase in benefits for children. But the child's benefit would increase only in a one-child family. The benefit would be the same in the case of two children, and less where there are three or more children. It certainly is inaccurate to describe this change as "increasing" the benefits for children. It would actually reduce the benefits for most families, and the reduction would be the greatest for the larger families, the ones that most need help if they lose their wage-earning parent. The Report characterizes this significant reduction in the benefits for young widowed spouses with children in their care as necessary in order "to reduce the disincentive for young survivors with children to enter the labor force" [92, p. 56].

At the time that social security was established there was general agreement within our society about the importance of mothering and the wisdom of providing support for parents with children in their care. For example, in 1936, in an evaluation of the Social Security Plan, the Tennessee Taxpayers Association stated:

"The experience which states have had over the past 20 years in dealing with state mothers pension laws has indicated that children can be maintained as cheaply in their own homes where there is a remaining parent than in instituitions, and the social benefits of a natural home environment are inestimable [82. p. 20]."

Surely, our society does not now hold a view diametrically opposed to the one articulated here upon which social security was founded.

What is best for the children of married women

Even more important than what women think about their own career choices is the second issue, that is, what is best for the children once a family has made the choice to have children. We must turn to the research in the field of child development for insights into this difficult and important question.

Fortunately for our purposes, two exhaustive reviews of the literature on early child development have been completed and published in the last two years [33; 54]. Dr. Selma Fraiberg and Dr. Raymond and Dorothy Moore are experts in their field and their work has addressed the important questions that concern us here. Both studies concluded that the research in the field of child development proves the importance of children being cared for by their mothers (or mother figures) in the home for proper development. They also conclude that the trend toward more and earlier out-of-family care is without any systematic research basis and has negative social, emotional, and cognitive effects on children as a result of mother-child discontinuity.

These conclusions are based on the importance of bonding or attachments to the child's development [33, pp. 27-47; 33, pp. 37-71]. According to the Moore study, the preponderance of evidence indicates that the key role of a parent throughout the years of childhood is to be the kind of warm, responsive, and relatively consistent person to whom a child can safely become attached. This is so important because early development and learning are actively dependent on this bonding between parent and child. This attachment also gives stability to the child's uncertain world and contributes to a healthy self-reliance.

Both Fraiberg and the Moores conclude that the strength and quality of attachment is principally determined by the amount and kind of care given by the mother or mother figure [33, pp. 61-71 and 94; 54, pp. 27-28]. They stress that any parent surrogate must become very much involved in positive ways with a child on a relatively continuous and consistent basis if he or she is to be successful in assuming this role.

"The home appears still to be the best place for acquiring a healthy attachment. At present no substitute is known for the family in this respect. Frequent interaction with both parents enables the child to accept separation with the least problem. Nevertheless, most children cannot tolerate separation from their mothers before the age of five [54, pp. 27-28]."

It is also through this attachment relationship that a child builds a strong sense of self-worth and acquires a value structure, which are in turn important influences upon learning and are necessary for social competence. It is the influence of the family, especially the mother, that is of prime importance in the early socialization of children, i.e., in establishing and maintaining values and the associated self-concept [54, pp. 49, 60]. When a child has achieved a positive sense of self-worth, he will adapt more constructively to the world outside his home. He will be less threatened by authority figures who control his environment, and if he has strong, internalized values and standards, he will be less vulnerable to peer pressures [54, pp. 49-50].

The new pattern of family life where both parents work and children are cared for outside the home is regarded as progressive and a superior lifestyle by the women's liberation movement and perhaps by a significant segment of our population. The three main options put forth in the HEW Changing Roles Report would all tend to encourage this lifestyle.

The trend toward more mothers working, even when they have young children, is used by the Report to justify eliminating the wife's benefit and making radical changes which would penalize the traditional family. This would make it more difficult for mothers with young children to remain at home to care for them. However, research for the field of child development is overwhelmingly critical of these trends because of the effects on children [33, pp. 91-104; 54, pp. 1-2, 27-61]. Some of the researchers even suggest that the trend must be reversed for the sake of the children and the society itself [54, p. 219].

"Unnecessary out-of-home or other alternative care may endanger the child socially, emotionally, behaviorally, and even academically. In such cases the psychological and sociological implication for the family and for society may be disastrous as parents relinquish their responsibility—and authority—during their youngster's crucial developmental years. Indeed we may be paying heavily for early childhood education that ultimately develops problem children, only to pay much more to remediate the problems we have created. We pay not only in dollars but also in anxiety and in loss of human potential [54, p. 2]."

Many child-development researchers would even have us go beyond *allowing* women to be full-time homemakers and mothers and actively *encourage* them to do so for the sake of the development of their children. They stress the importance of full-time child and parent involvement in the home and its related activities. Parents, they argue, should be helped to understand the overriding importance of incidental teaching in the contex of warm, consistent companionship, because such caring is usually the greatest teaching, especially sharing in the activities of the home—which for the yound child represents his foretaste of mature living, security, and independence [54, pp. 229–230]. The Moore study concludes that impressive, research-based data suggest that we must make every effort to minimize early institutional life and maximize home influences, and concentrate on educating for parenthood and improving the home, rather than on providing alternatives [54, p. 222].

The results from the developmental psychology literature on the importance of mothers' influence on child development are bolstered by the results of a number of studies conducted by economists. Since the time of Adam Smith, economists have recognized the concept of human capital, the possession of which is an important determinant of the incomes of individuals and the wealth of nations. This concept did not receive much empirical testing or use until the publication of Gary Becker's landmark Human Capital in 1962 [7]. Since then there has been a great deal of empirical research by economists on the formation of human capital and the ways that human capital enhances the productivity of labor. Several of these studies indicate that parental time devoted to the care of children affects the cognitive development of the child and thus results in increased earnings, ceteris paribus, of the children in later life [10; 100].

In contrast to the work of the developmental psychologists, the data and methods used by economists provide indirect evidence of the beneficial effects of the time spent by mothers with their children. For example, Belton Fleisher used the National Longitudinal Surveys of the U.S. Department of Labor to construct an index of mother's child-care-time input. The index measured the number of years during which the child was under 15 years old and the mother worked less than six months of the year. His empirical estimation of a model containing the index and other variables including schooling, earnings and IQ found that the earnings-payoff resulting from each year of the child's formal schooling was positively related to the index of mother's child-care time [30]. While earnings in later life are not the sole, or even the principal, purpose of child care, isolating a positive effect of maternal child-care time on subsequent educational attainment and earnings of the child is certainly additional and independent confirmation of the findings of the developmental psychologists. Fleisher's results have been confirmed by the work of other economists [35; 47; 48].

The results suggest that the next generation of Americans will pay a price for the increased labor force participation of mothers with children. The phenomenon is too important and the evidence too strong to be dismissed easily by antecdotal evidence to the contrary. Almost everyone knows a working mother whose children have turned out just great. Fortunately, the deleterious effects of reduced maternal-time inputs on the children of mothers in the labor force are not so great that they overwhelm the effects of other factors which influence child development. It is necessary to have a larger sample and more careful control of other factors than we can provide by casual observation of our neighbors and friends.

Another reason why casual observation should not be a guide to policy on this subject is because there is a strong empirical relationship between maternal inputs and educational level of the mother. In general, college educated mothers have been shown to spend more time with their children than mothers with only a high school education [36, pp. 22–23]. More importantly, recent studies have established that college-educated women reduce the time they spend with their children when they work by a smaller amount than do mothers with a high-school education or less. For example, college-educated mothers (who start with a higher child-care time input) reduce their child care time by about 25 percent when they work 20 hours per week or more, while high-school-educated mothers show much larger reductions in child-care time under the same circumstance [36, pp. 20–21]. Since most policymakers and policy advisors in the U.S. have had the advantages of a college education, and likely spend most to their time associating with similarly educated people, it would be dangerous for them to generalize on this subject from observation of the people around them.

The social security system does not discriminate against women. It is for all practical purposes sex-neutral. Further, women as a group are not disadvantaged under the social security, but rather get a higher return for their taxes than men do. The frequent and exaggerated charges of discrimination and inequities against women by the feminist movement have drawn unwarranted attention to the issue of the treatment of women under social security and have improperly focused the debate. Even those who realize the charges are erroneous feel compelled to answer them, providing credibility to them. Thus, the problems that certain groups of women have under social security have been elevated above countless other concerns of equal importance. These are not matters of sex discrimination in the present system, and the answers cannot be found in further sex-neutrality.

Full-scale earnings sharing is far more radical than necessary to address the existing problems and should not be endorsed. Its implementation would require substantial tax increases or substantial benefit cuts (usually the dependent wife's benefit is singled out). Both of these are politically unfeasible. It would not be sound public policy to eliminate a major benefit (the dependent wife's benefit) from social security for the first time in its history or to single out the traditional family for benefit cuts.

However, the most important reason for retaining the wife's benefit is that it would continue to allow married women to choose homemaking as their primary career. The elimination of the wife's benefit would encourage more married women to enter the labor force. The evidence presented here indicates that this would lead to a decline in the quality of care received by their children and a decline in these children's development. It is also shown that forcing more women into paid employment will undoubtedly result in a decline in fertility. Reduced fertility means a decline in the number of future system contributors, an effect that would offset at least some of the savings associated with the elimination of the wife's benefit.